

Explanatory Meeting for Business Results for the Fourth Quarter ended March 31, 2021 and Medium-term Management Plan

April 27, 2021

Kotaro Hirano

Executive Officer, President & CEO

Keiichiro Shiojima

Executive Officer, CFO

Hidehiko Matsui

Executive Officer, President, Marketing Div.

 **Hitachi Construction Machinery Co., Ltd.**

1. Regional Market Environments and Projections

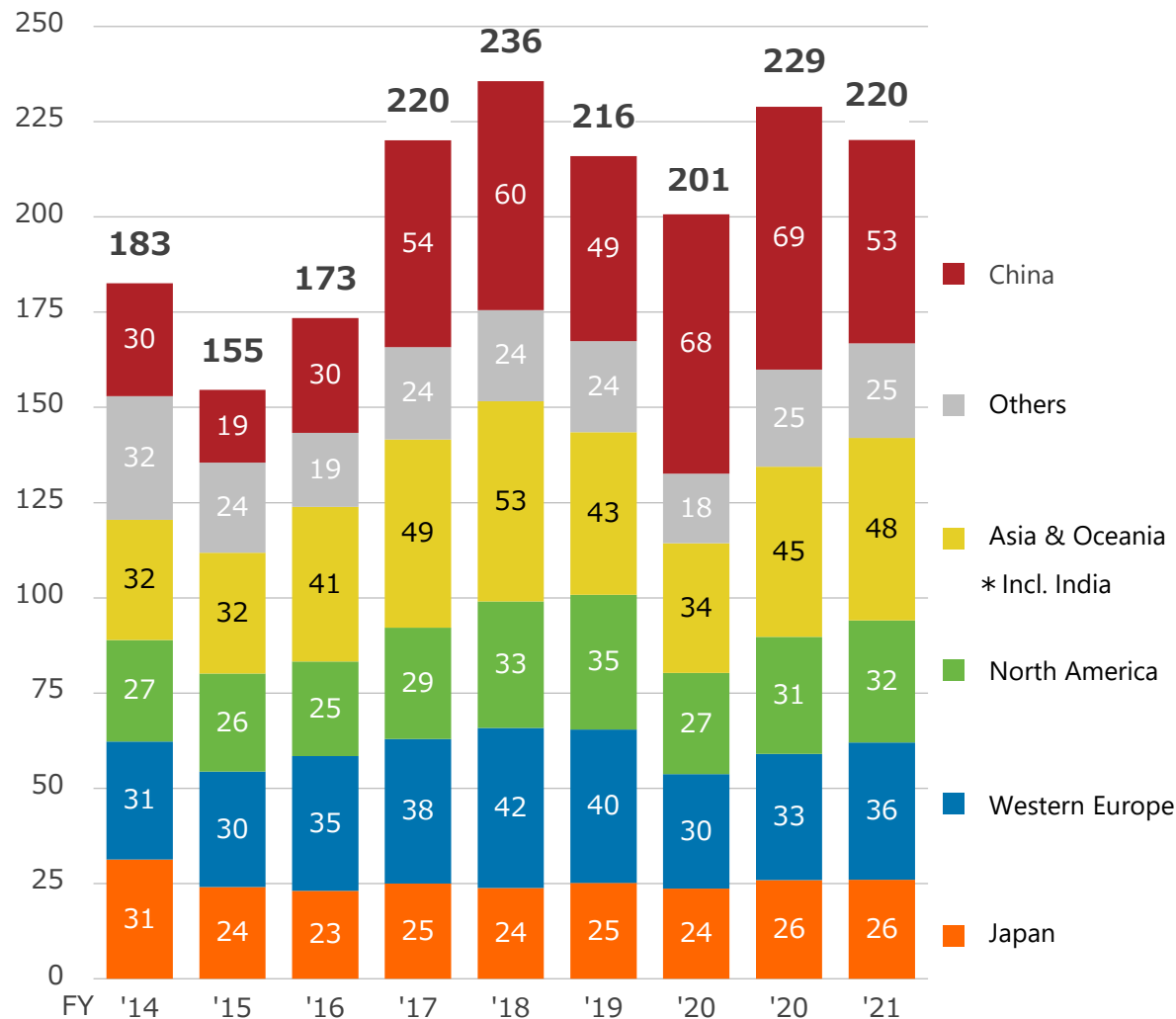
Hidehiko Matsui

Executive Officer, President, Marketing Div.

Emerging Markets ratio :
FY2020 : 61% (y-y Change : +8%)

[K units]

※Emerging Markets: China, Asia/Oceania, and others



Previous Current
Outlook Estimate

Year-on-Year Change by Region

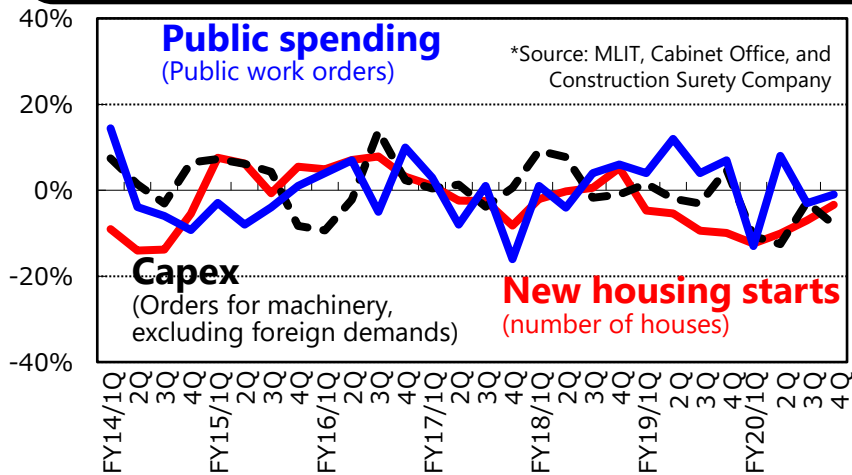
※Estimates by HCM, Excluding Chinese manufacturers

※Distributing, copying, or forwarding prohibited

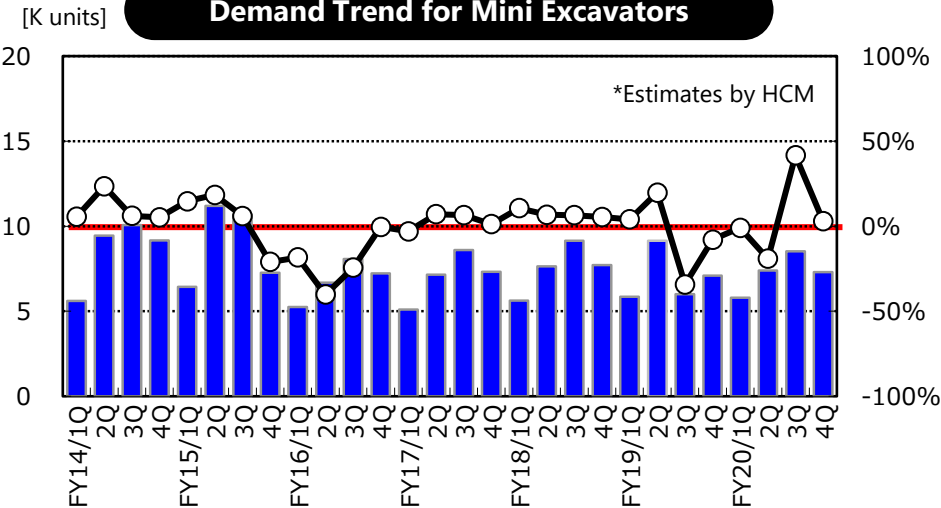
	'20	'21
Total	+6%	-4%
China	+42%	-23%
Russia,CIS, E Europe	-14%	-4%
Africa	+2%	-3%
Middle East	+11%	-2%
Latin	+14%	-2%
Others	+1%	-3%
Asia	+6%	+7%
India	+0%	+8%
Oceania	+8%	+6%
Asia & Oceania	+4%	+7%
N America	-12%	+4%
W Europe	-17%	+9%
Japan	+3%	+0%

- Housing investment and capital investment continued decreasing y-y. Public investment stayed flat.
- Demand for Hydraulic excavators and Mini excavators slightly increased: Hydraulic excavators -5% (YTD +3%), Mini excavators +3%, Wheel loaders +3% y-y, respectively.

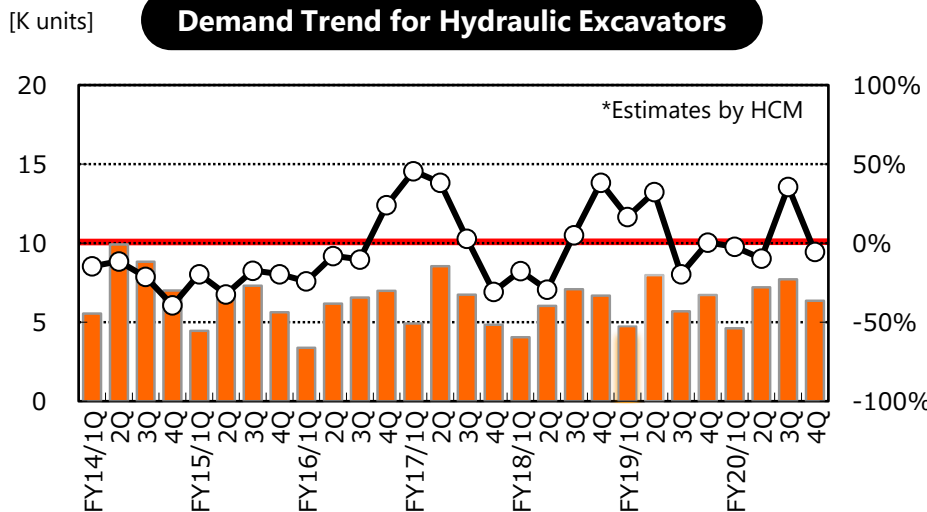
Market Environment Housing/Public Spending and Capex (y-y)



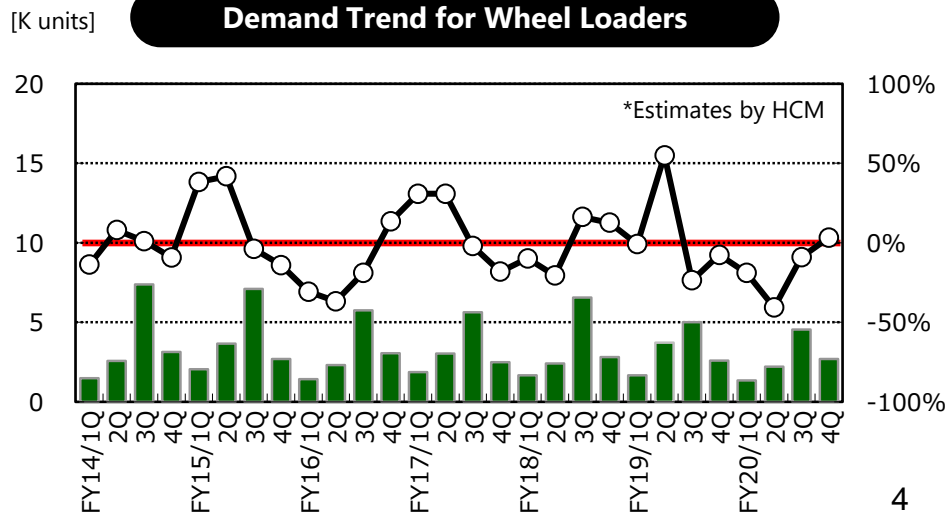
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators

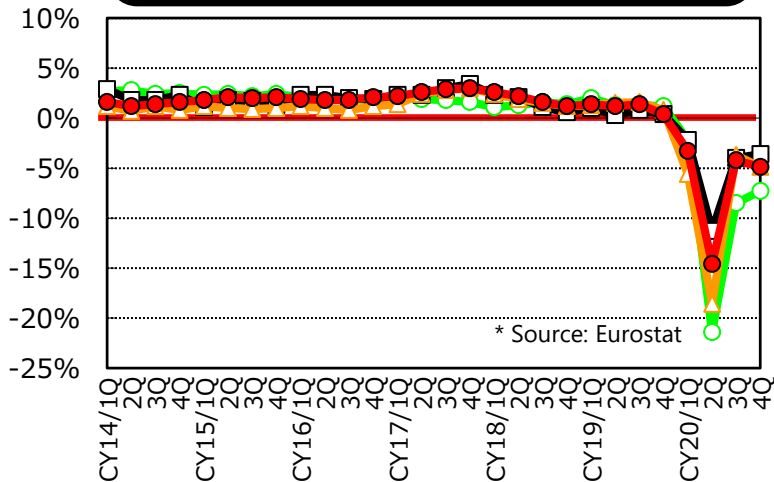


Demand Trend for Wheel Loaders

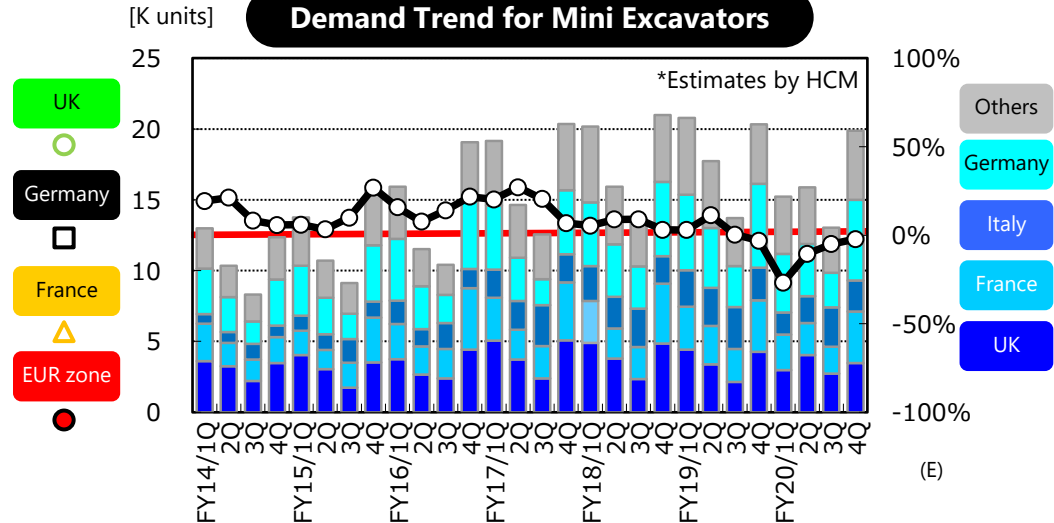


- Throughout the Eurozone, GDP growth rate stayed flat from the previous quarter, still negative growth y-y.
- Demand : Hydraulic excavators +23% (YTD -17%), Mini excavators -2%, Wheel loaders -9% y-y, respectively.

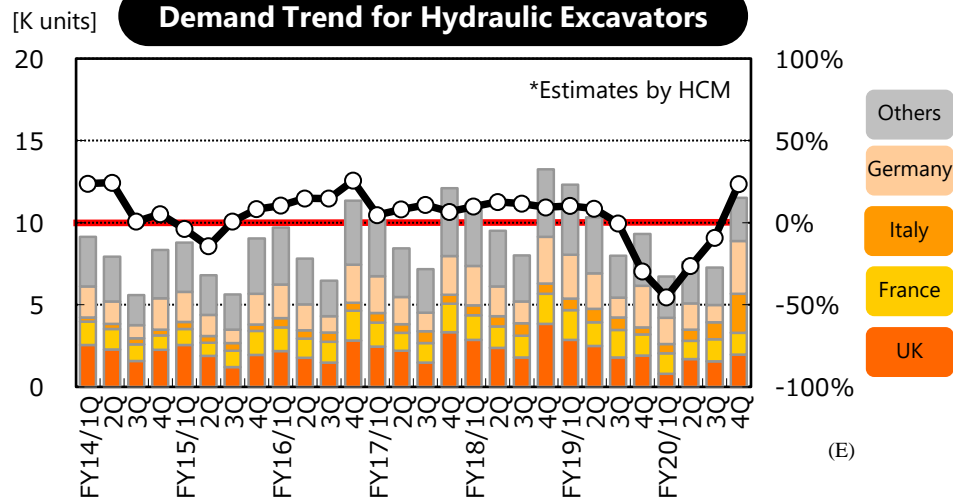
GDP Growth Rate in Major Countries (y-y)



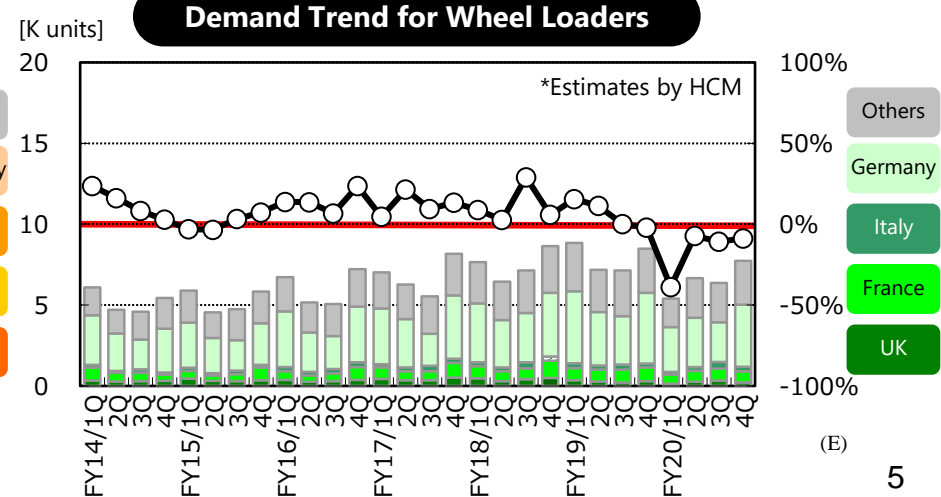
Demand Trend for Mini Excavators



Demand Trend for Hydraulic Excavators



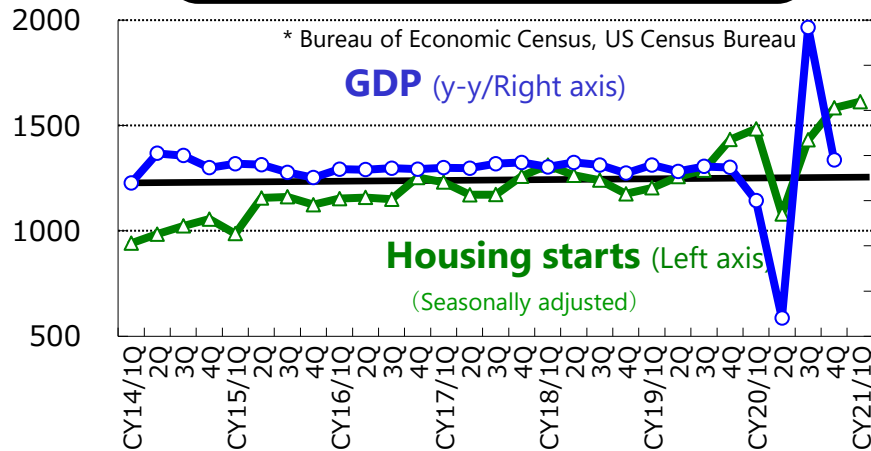
Demand Trend for Wheel Loaders



- Housing starts increased. Construction investment increased in Residential, stayed flat in public work.
- Demand increased: Hydraulic excavators +14% (YTD -12%), Mini excavators +26% y-y, respectively.

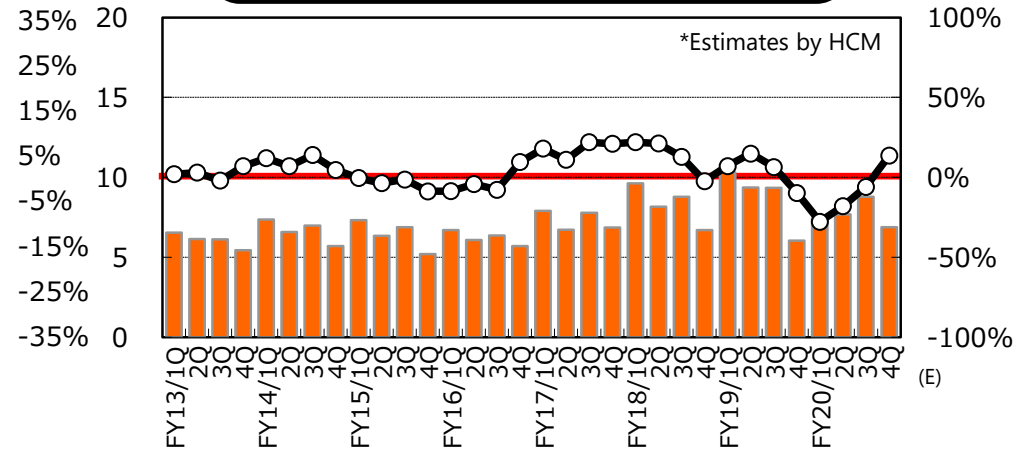
[K units]

GDP Growth Rate, Housing Starts in US

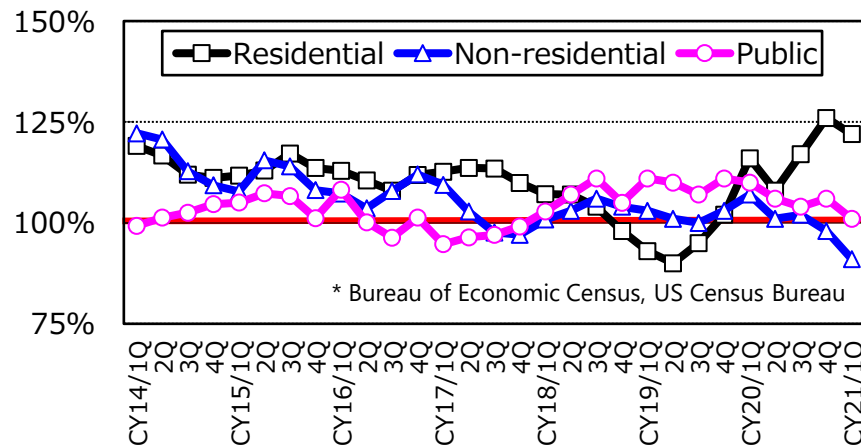


[K units]

Demand Trend for Hydraulic Excavators

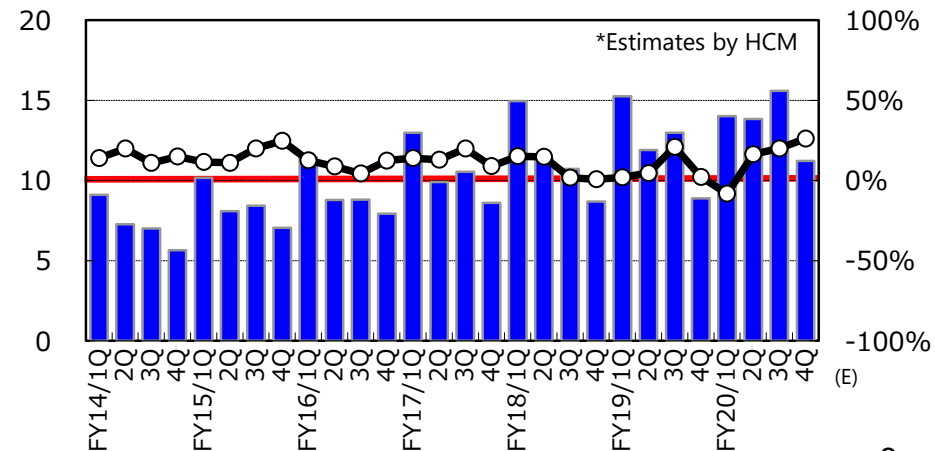


Construction Spending in US (y-y)



[K units]

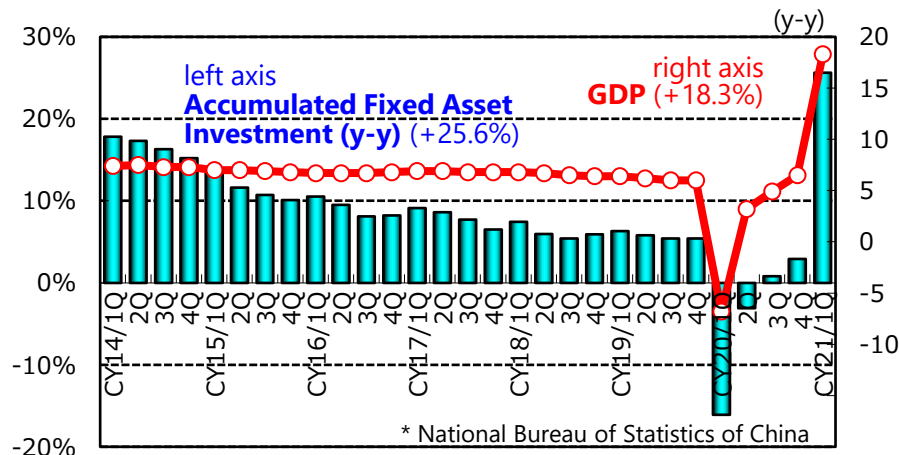
Demand Trend for Mini Excavators



- The GDP growth rate was +18.3%.
- Demand for hydraulic excavators in China kept increased. +53% y-y (YTD +42%), Foreign manufactures only.

GDP and Fixed Asset Investment

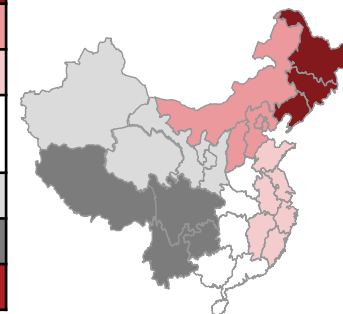
[%]



Quarterly Demand for Hydraulic Excavators by Region (y-y)

FY20	1Q	2Q	3Q	4Q
North East	+150	+112	+27	+98
North	+37	+40	+23	+76
East	+59	+57	+36	+42
Central South	+42	+22	+22	+70
North West	+29	+64	+27	+68
South West	+28	+21	+26	+25
Total	+45	+40	+28	+53

*Estimates by HCM
*Foreign manufactures only

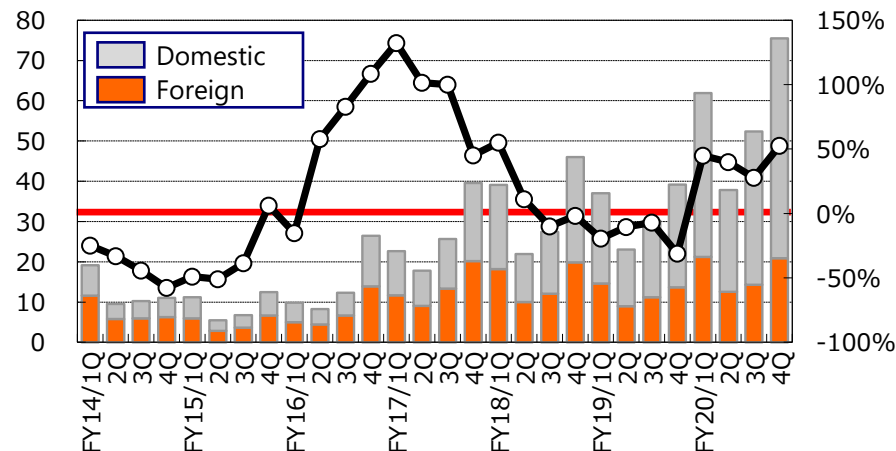


Demand Trend for Hydraulic Excavators

[K units]

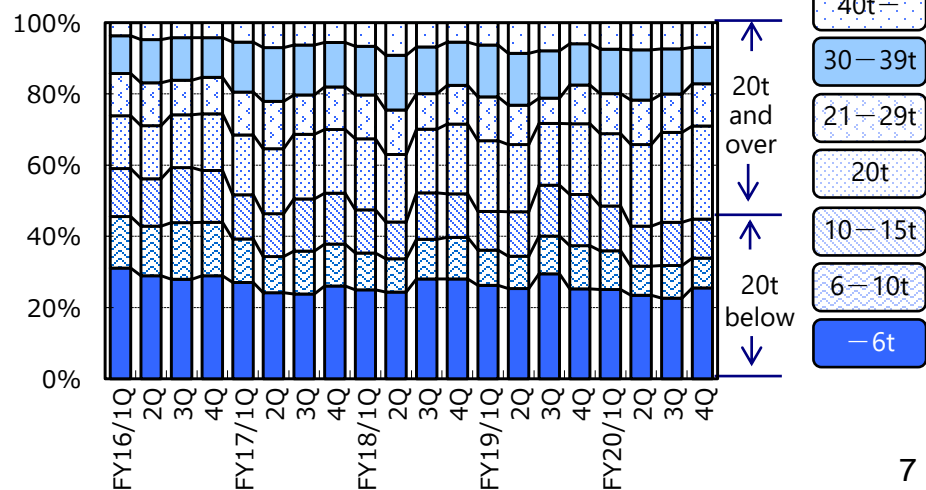
y-y comparison data is limited to foreign manufactures only

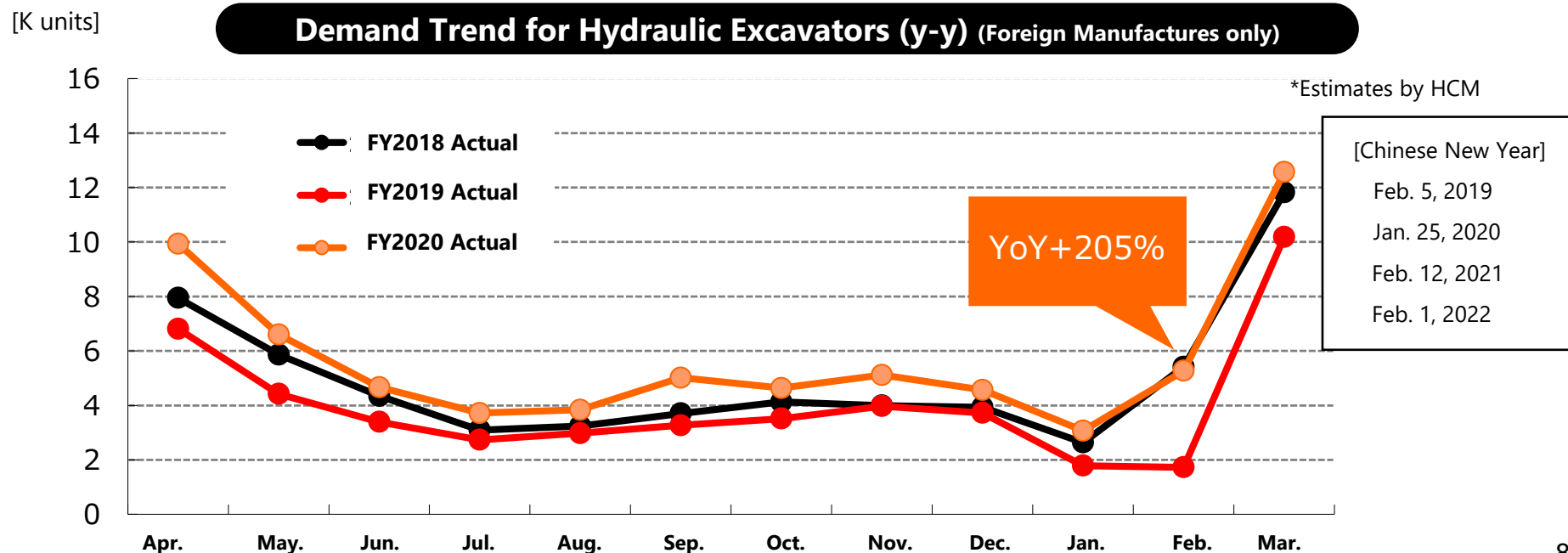
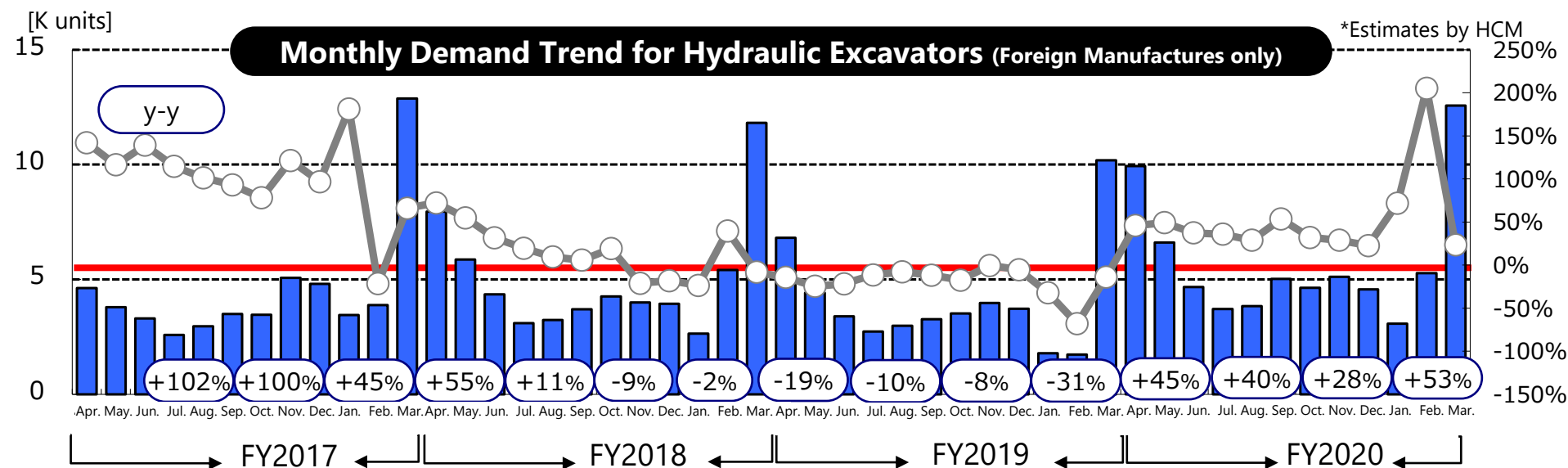
*Estimates by HCM



Demand Composition by Class for Mini Excavators and Hydraulic Excavators

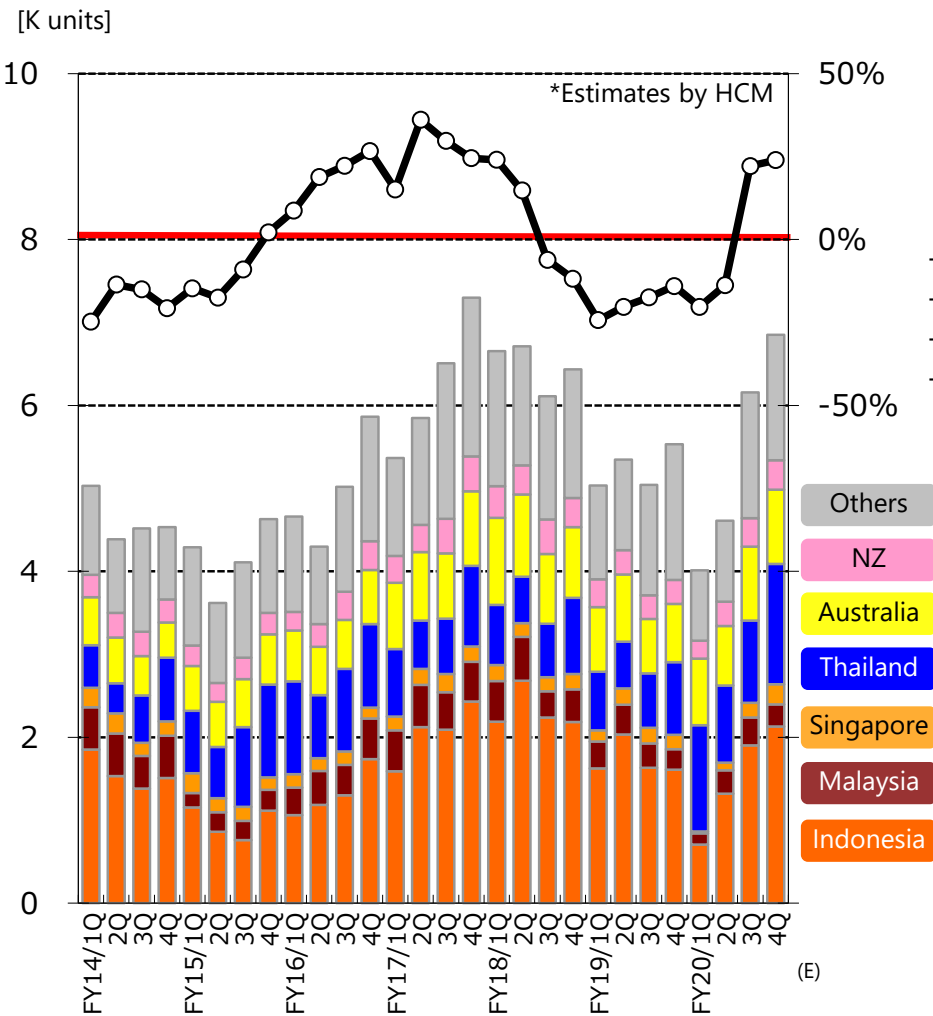
*Estimates by HCM *Foreign manufactures only



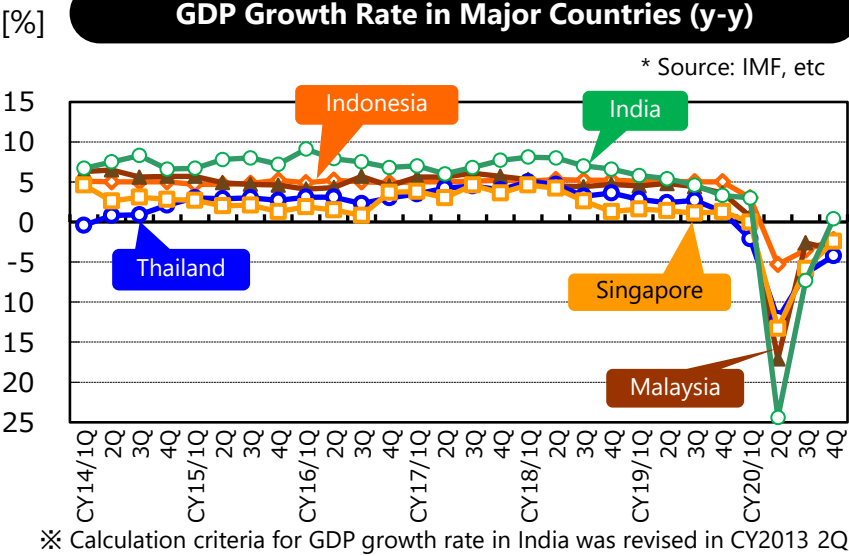


■ Demand for hydraulic excavators increased overall in the Asia Pacific region, +24% y-y (YTD +3%)
■ Demand for hydraulic excavators in India was +55% y-y (YTD +0%)

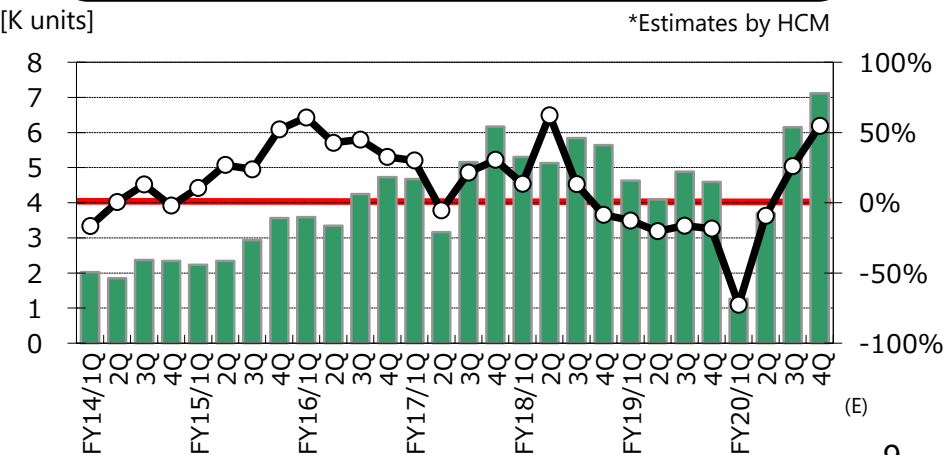
Demand Trend for Hydraulic Excavators in Asia & Oceania



GDP Growth Rate in Major Countries (y-y)

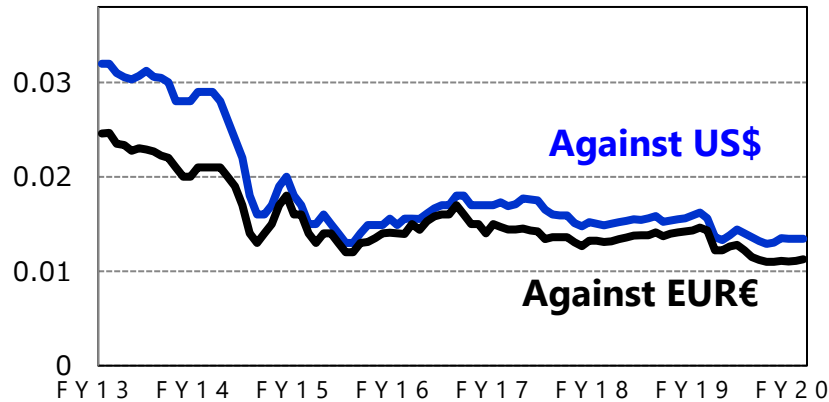


Demand Trend for Hydraulic Excavators in India



- Demand for hydraulic excavators in Russia was +17% y-y (YTD -11%)
- Demand for hydraulic excavators in the Middle East was +17% y-y (YTD +11%)

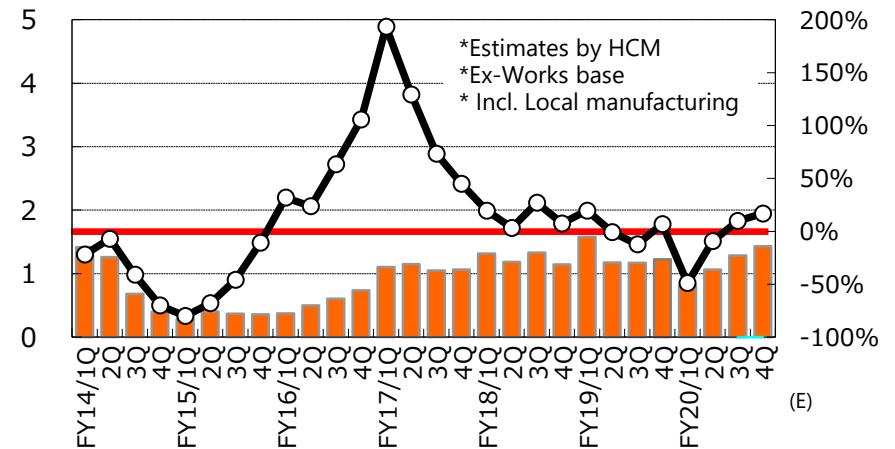
Foreign Exchange Rate of the Ruble



* According to HCM's research

[K units]

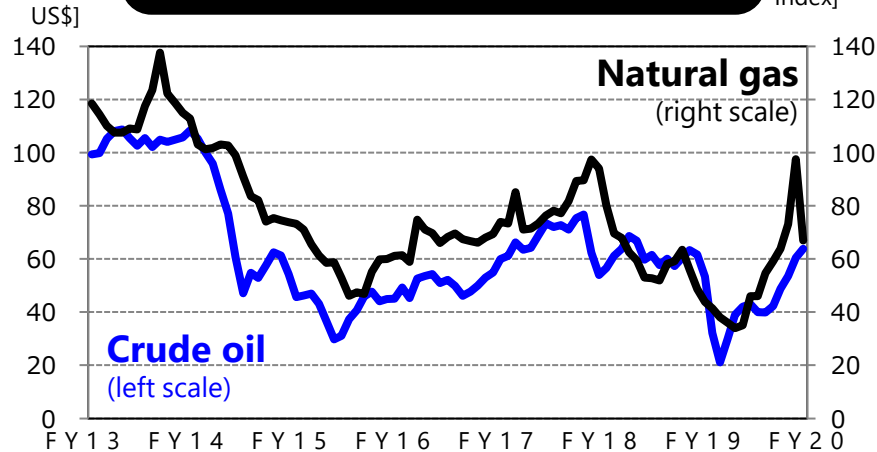
Demand Trend for Hydraulic Excavators in Russia



[Crude oil

Price Trend of Crude Oil and Natural Gas

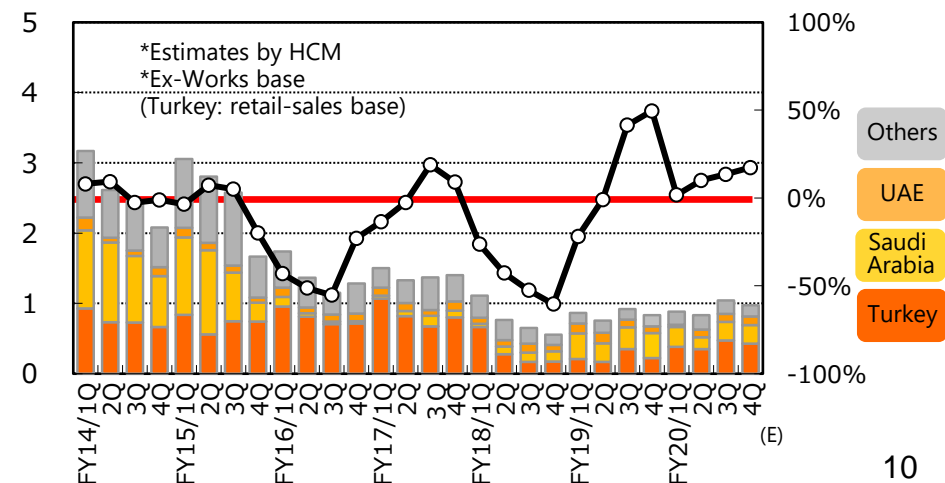
[Natural Gas Index]



* Created by HCM, sourced from World Bank * Natural Gas Index (2010 = 100)

[K units]

Demand Trend for Hydraulic Excavators in the Middle East

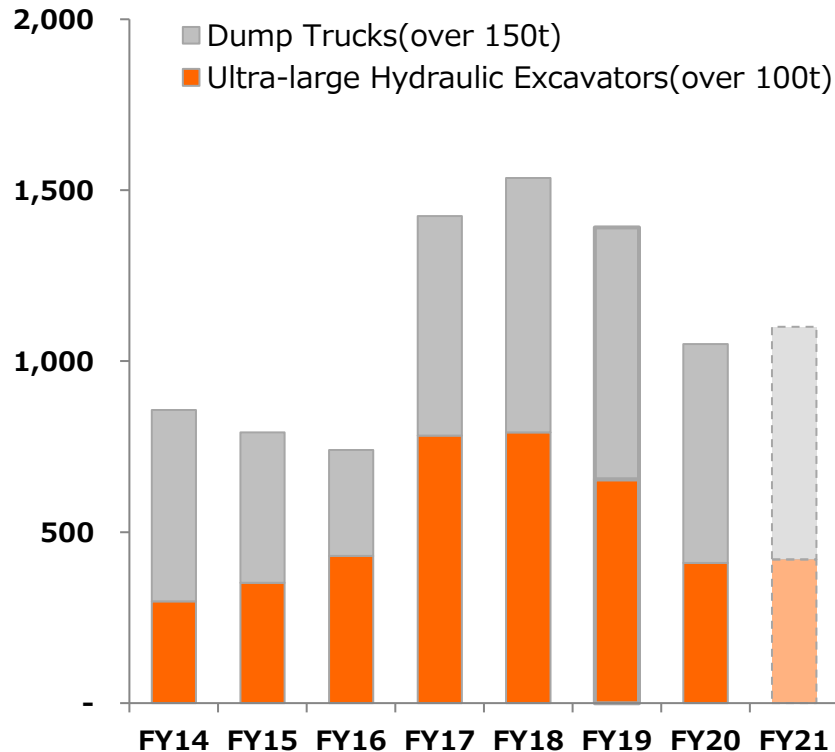


- Demand forecast for mining machinery in FY2020 decreased at -25% y-y.
- Demand forecast for mining machinery in FY2021 is expected to increase +5% y-y.

Ultra-large Hydraulic Excavators (over 100t), Dump Trucks(over 150t)

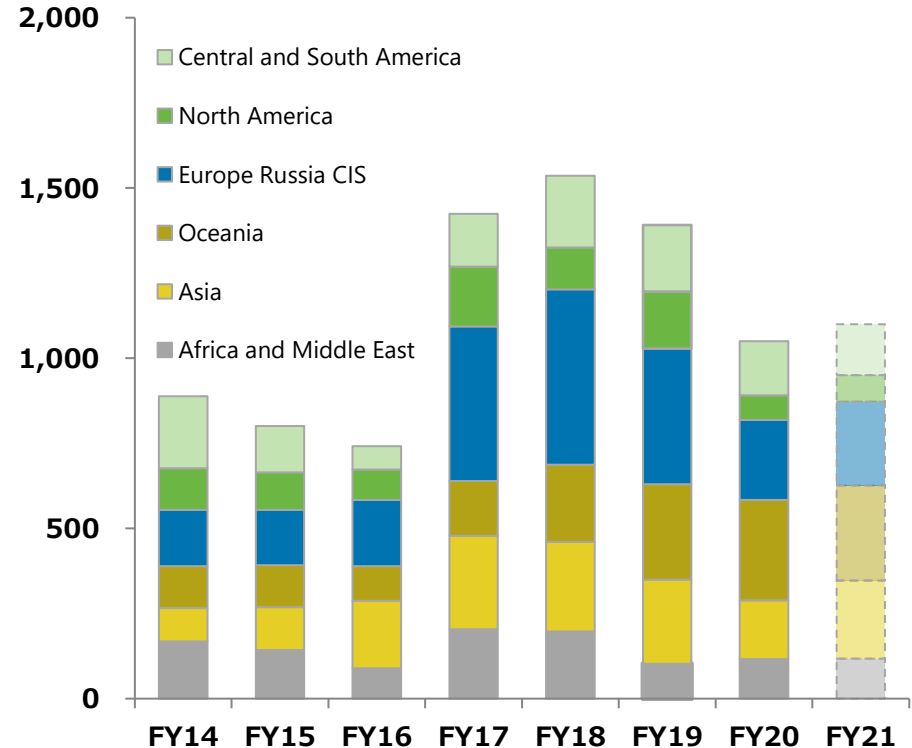
[Units]

Demand by product



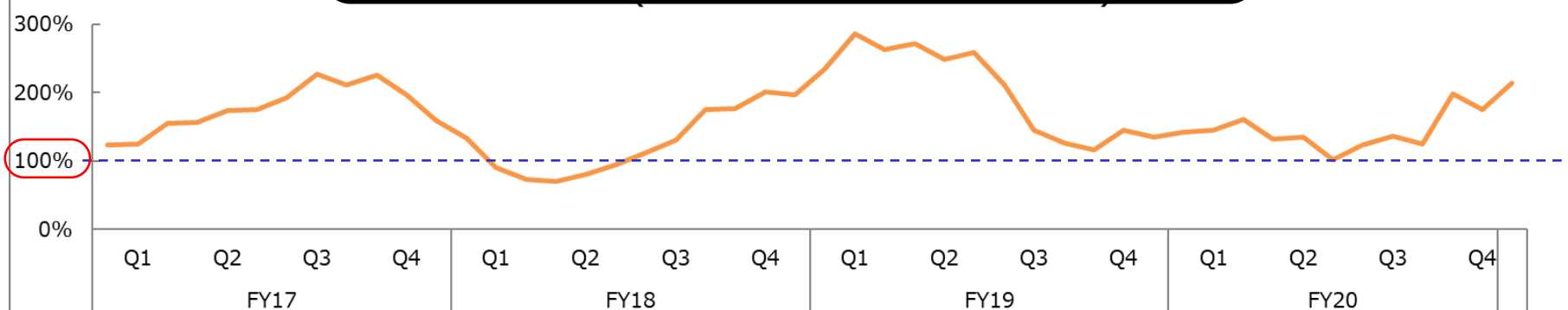
[Units]

Demand by region

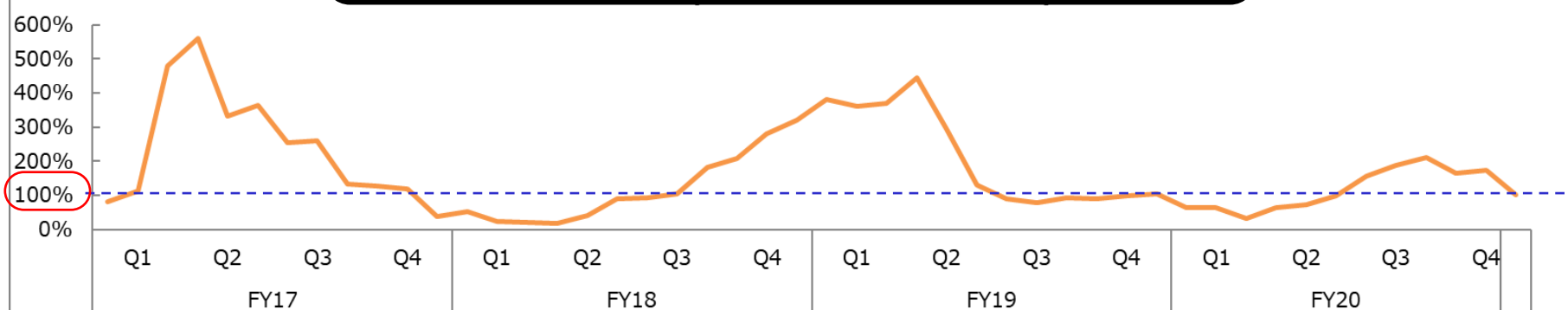


※ According to HCM's research

BB Ratio (Ultra-large Hydraulic Excavators, over 100t)



BB Ratio (Dump trucks, over 150t)



* Book-to-Bill(BB) Ratio = Bookings (Orders received)/Billings (Value of shipment)

Non-consolidated basis (average of 6 months)

Signed a MoU with ABB to collaborate to target net-zero emissions from mining machinery

Signed: March 2021

- Applying **ABB's electrification, automation and digital solutions** to mining machinery
- Providing solutions that **streamline and optimize overall mining operations**



Rigid dump truck on trolley line



Investment in Australian Startup Baraja to accelerate development for autonomous operation

Invested: March 2021

- Accelerating the **development of LiDAR products with mine site specifications** and **strengthening local support.**
- Applying the **improvement of AHS and autonomous operation of ultra-large hydraulic excavators.**



Images captured by LiDAR



* LiDAR is an abbreviation for Light Detection And Ranging. This technology detects the shape of an object and the distance to the object by irradiating the object with a laser beam and capturing the reflected light with a sensor.

Second parts remanufacturing base to be established in Indonesia

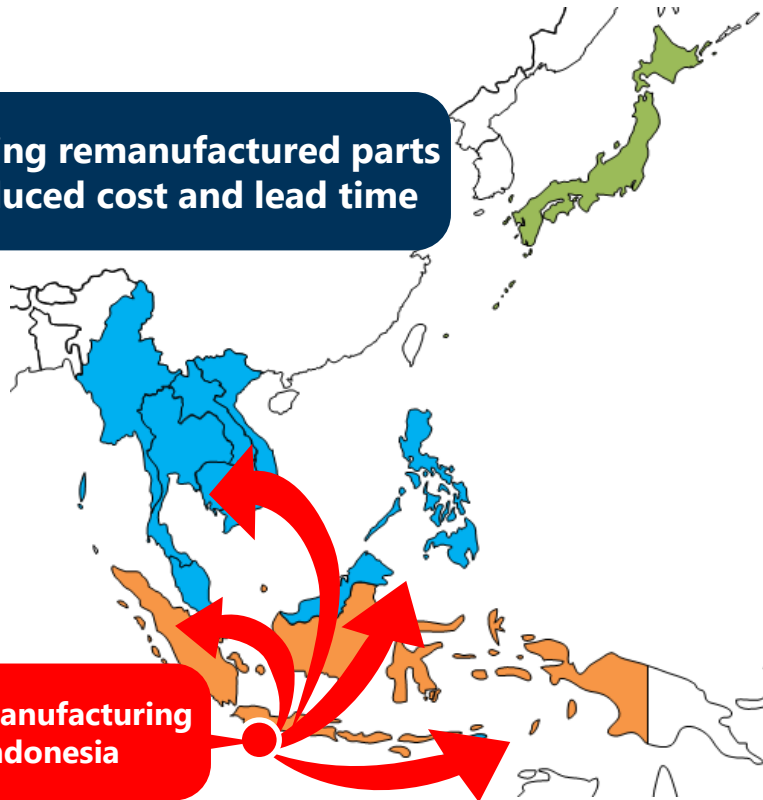
Start of operations : June 2021

- **Parts remanufacturing base for medium to large-sized hydraulic excavators**
(First location: Mainly for mining products)
- **Established a network** for parts collection, remanufacturing and supply **in Southeast Asia**, which also **reduces cost and lead time** of remanufactured parts.
- Contributing to **job creation, waste reduction, and realization of a resource-circulating society.**
- Strengthen parts and service business in Southeast Asia and expand value chain business.



Providing remanufactured parts
at reduced cost and lead time

Parts remanufacturing
in Indonesia

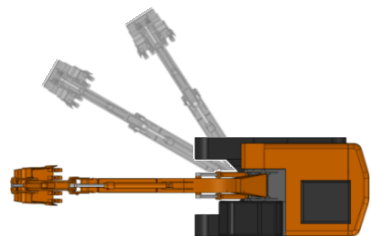


New ICT Hydraulic Excavators ZX200X-7 and ZX330X-7 to be Released in Japan this October.

- New machine control **improves control precision and productivity.**
- "Area Control" **improves site safety** by setting the machine operating ranges.
- "Solution Linkage® Work Viewer" allows customers to **check the progress video of their work via smartphone.**



Safety improvement



Decelerate and stop when approaching the boundary

Productivity improvement



Improved accuracy of machine control



ZX200X-7

Managing construction progress



Solution Linkage® Work Viewer

CSPI-EXPO 2021

Construction & Survey Productivity improvement Expo
The actual model will be exhibited. Event date: 12-14 May, 2021 in Japan

2. Business Results for FY2020 ended March 2021

(April 1, 2020 - March 31, 2021)

Keiichiro Shiojima

Executive Officer, CFO

Revenue decreased by 13% and adjusted operating income decreased by 57% y-y due to the impact of COVID-19 and the appreciation of the yen, 9.2 billion yen.

[billions of yen]

		FY2020 Actual	FY2019 Actual	change
Revenue	<770.0>	813.3	931.3	-13%
Adjusted operating income *1	<40.0>	(4.0%) 32.7	(8.2%) 76.6	-57%
Operating income	<36.0>	(3.5%) 28.2	(7.8%) 72.8	-61%
Income before income taxes	<34.0>	(3.1%) 25.6	(7.2%) 67.1	-62%
Net income attributable to owners of the parent	<20.0>	(1.3%) 10.3	(4.4%) 41.2	-75%
EBIT *2	<37.6>	(3.5%) 28.7	(7.7%) 71.6	-60%
FX rate	Rate (YEN/US\$)	106.0	108.7	-2.7
	Rate (YEN/EURO)	124.6	120.8	3.8
	Rate (YEN/RMB)	15.7	15.7	0.0
	Rate (YEN/AU\$)	76.0	74.1	1.9
Cash dividend per share (yen) *3	<TBD>	20	60	-40

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

*2 "EBIT" stands for Earnings Before Interests and Taxes, and is calculated by excluding "Interest income" and "Interest expenses" from "Income before income taxes"

*3 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Revenue decreased in each region except China and the Middle East y-y, consolidated revenue decreased by 118.0 billion yen.

[billions of yen]

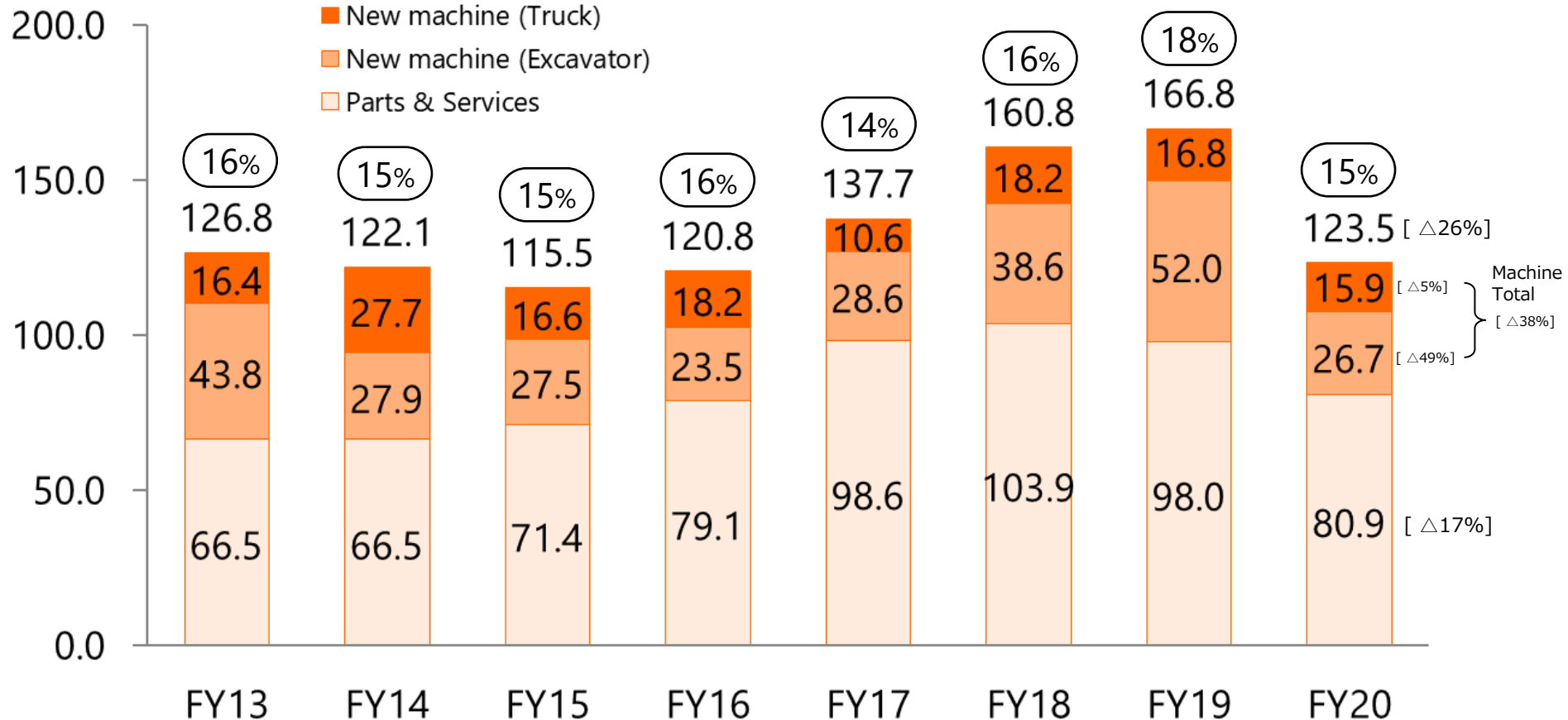
	FY2020 Actual		FY2019 Actual		change	
					amount	%
Japan	203.3	25%	205.6	22%	-2.3	-1%
Asia	52.7	6%	85.9	9%	-33.2	-39%
India	50.0	6%	50.7	5%	-0.7	-1%
Oceania	139.9	17%	146.0	16%	-6.0	-4%
Europe	87.8	11%	103.6	11%	-15.7	-15%
N.America	107.2	13%	173.4	19%	-66.2	-38%
L.America	10.9	1%	12.9	1%	-2.0	-16%
Russia-CIS	22.7	3%	32.6	4%	-9.9	-30%
M.East	16.1	2%	7.6	1%	8.5	113%
Africa	33.6	4%	38.0	4%	-4.4	-12%
China	89.1	11%	75.0	8%	14.0	19%
Total	813.3	100%	931.3	100%	-118.0	-13%
Overseas ratio	75%		78%			

Revenue of mining in FY2020 decreased by 26% to 123.5 billion yen y-y, partly due to the impact of the appreciation of the yen, 5.0 billion yen.

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year

[billions of yen]

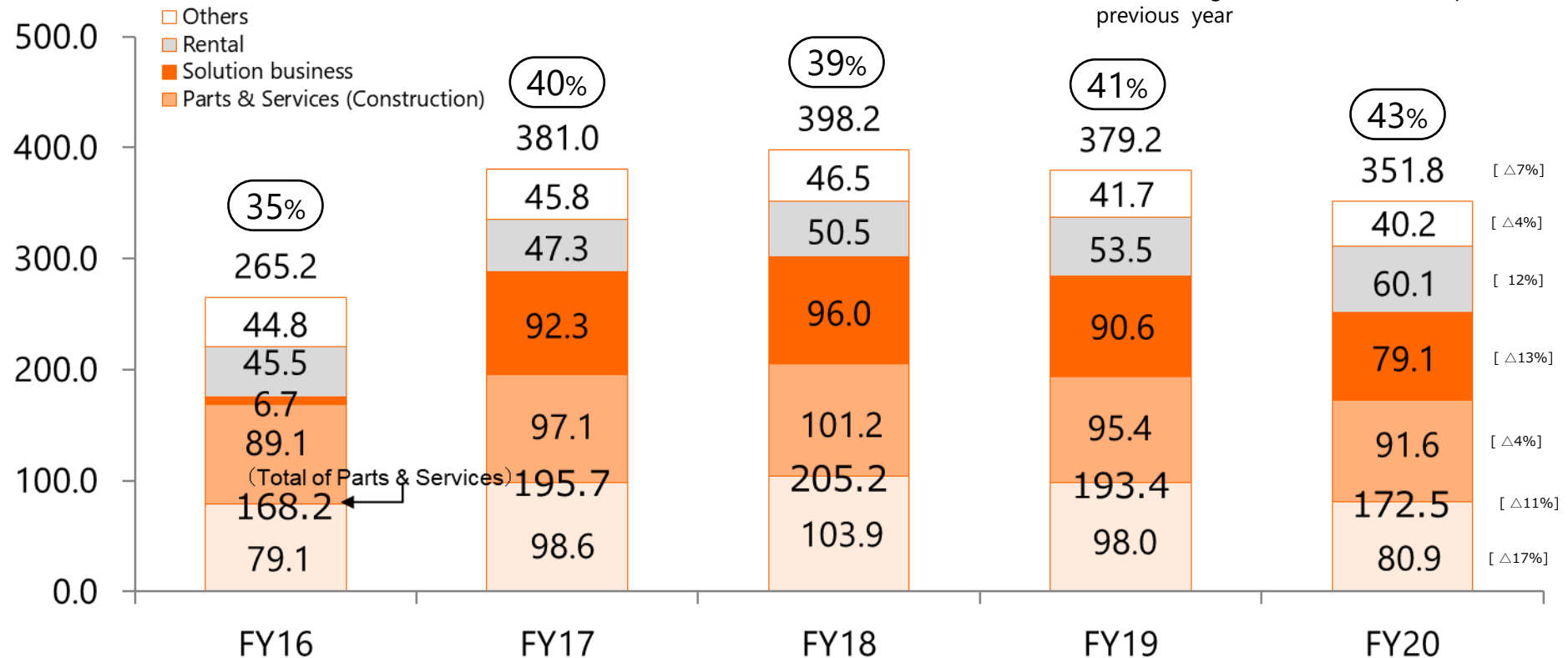


Revenue of the value chain business in FY2020 decreased by 7% to 351.8 billion yen y-y, partly due to the impact of the appreciation of the yen, 3.7 billion yen despite an increase in revenue of rental by 12% y-y.

[billions of yen]

(%) shows sales ratio against total company sales

[%] shows changed ratio from the same period of previous year



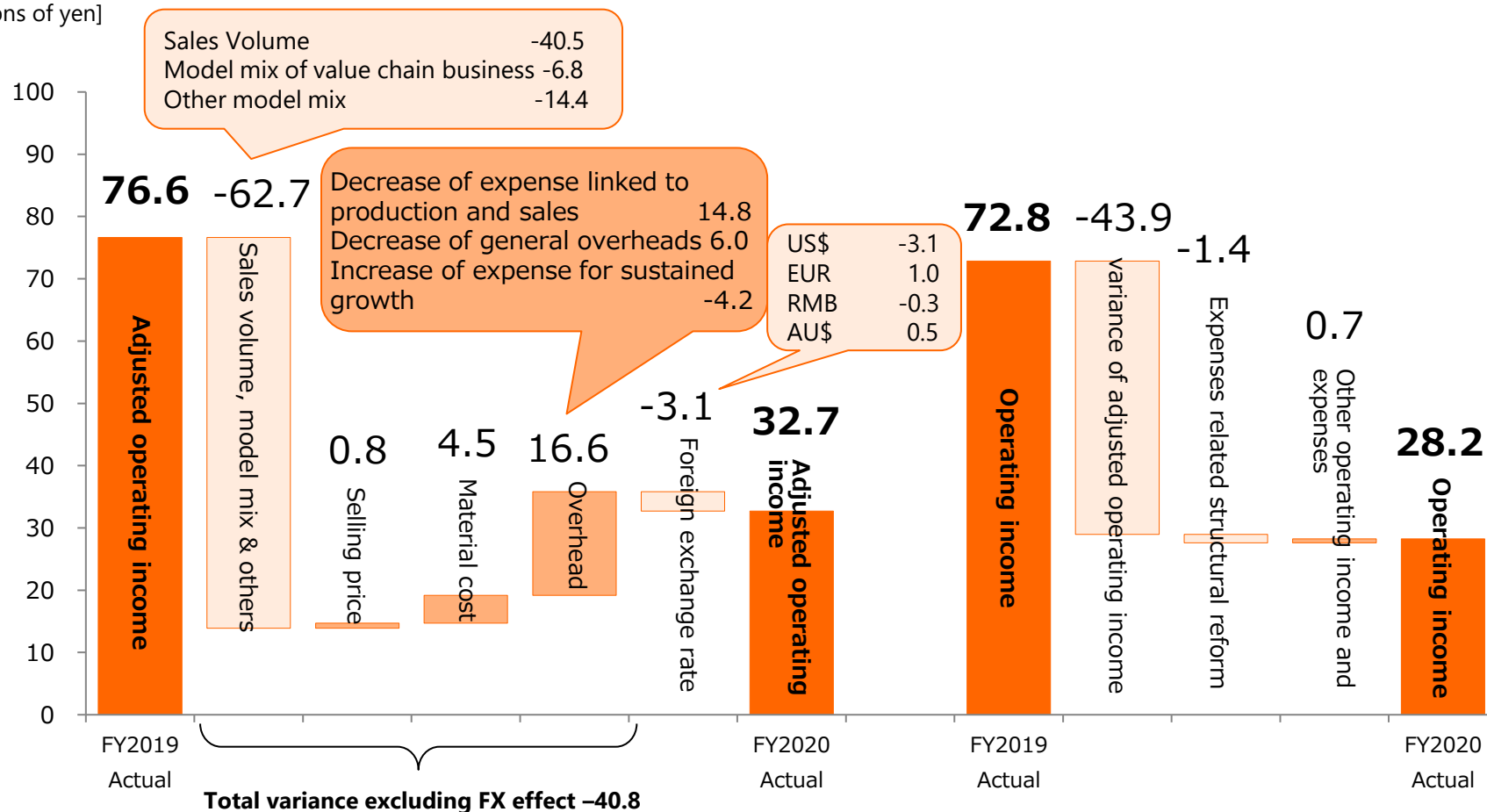
(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated income

Adjusted operating income decreased by 43.9 billion yen y-y due to the impact of the decreased sales volume and model mix including the impact of COVID-19, despite the decreased overheads and material costs and improved selling price.

[billions of yen]



Consolidated statement of income

HITACHI

Reliable solutions

- SGA expenses decreased by -13.5 billion yen to 160.6 billion yen y-y.
- Financial income/expenses improved by 4.3 billion yen to -4.1 billion yen y-y.

[billions of yen]

	FY2020 Actual		FY2019 Actual		change	
					amount	%
Revenue		813.3		931.3	-118.0	-13%
Cost of Sales	(76.2%)	620.0	(73.1%)	680.6	-60.6	-9%
SGA expenses	(19.8%)	160.6	(18.7%)	174.1	-13.5	-8%
Adjusted operating income *1	(4.0%)	32.7	(8.2%)	76.6	-43.9	-57%
Other Income/expenses		-4.5		-3.8	-0.7	19%
Operating income	(3.5%)	28.2	(7.8%)	72.8	-44.6	-61%
Financial income/expenses		-4.1		-8.4	4.3	-52%
Share of profits of investments accounted for using the equity method		1.4		2.7	-1.3	-47%
Income before income taxes	(3.1%)	25.6	(7.2%)	67.1	-41.5	-62%
Income taxes		11.0		22.3	-11.4	-51%
Net income	(1.8%)	14.6	(4.8%)	44.8	-30.1	-67%
Net income attributable to owners of the parent	(1.3%)	10.3	(4.4%)	41.2	-30.8	-75%

*1 "Adjusted operating income" is calculated by excluding "Other income" and "Other expenses" from "Operating Income" listed in Consolidated Statements of Income.

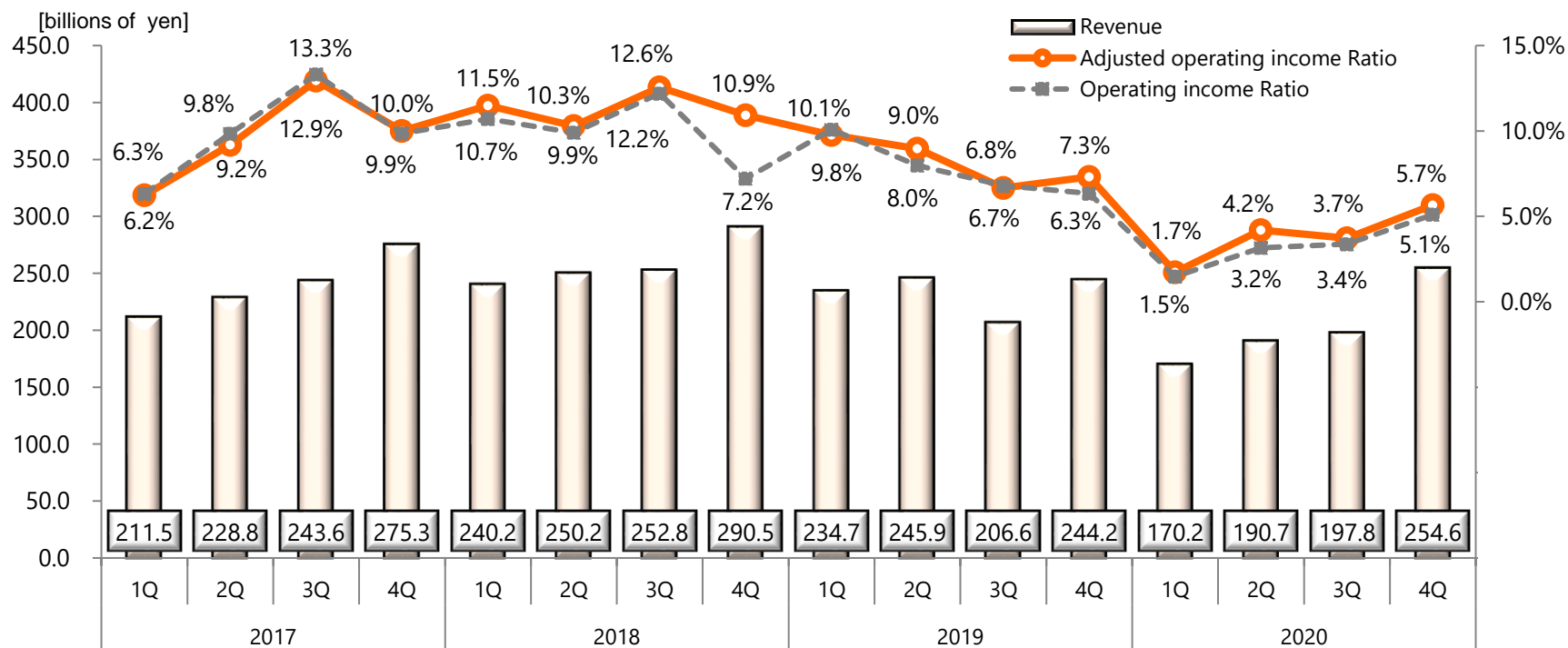
Summary of quarterly consolidated revenue and operating income (ratio)

HITACHI

Reliable solutions

[billions of yen]

	2017				2018				2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Revenue	211.5	228.8	243.6	275.3	240.2	250.2	252.8	290.5	234.7	245.9	206.6	244.2	170.2	190.7	197.8	254.6
Adjusted operating income	13.2	21.0	31.5	27.5	27.6	25.8	31.8	31.7	22.9	22.1	13.8	17.9	2.9	8.0	7.4	14.4
Operating income	13.4	22.5	32.4	27.1	25.7	24.8	30.8	21.0	23.7	19.6	14.1	15.5	2.5	6.0	6.7	13.0



FX rate	2017				2018				2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Rate (YEN/US\$)	111.1	111.0	113.0	108.3	109.1	111.5	112.9	110.2	109.9	107.4	108.8	108.9	107.6	106.2	104.5	105.9
Rate (YEN/EURO)	122.2	130.4	133.0	133.2	130.1	129.6	128.8	125.2	123.5	119.3	120.3	120.1	118.5	124.1	124.5	127.7
Rate (YEN/RMB)	16.2	16.6	17.1	17.1	17.1	16.4	16.3	16.3	16.1	15.3	15.5	15.6	15.2	15.4	15.8	16.4
Rate (YEN/AU\$)	83.4	87.6	86.8	85.3	82.6	81.5	81.1	78.5	76.9	73.6	74.3	71.8	70.7	75.9	76.3	81.8

Consolidated statement of financial position

HITACHI

Reliable solutions

Trade receivables and inventories at the end of the year were reduced by 1.3 billion yen and 3.5 billion yen from the end of the previous fiscal year.

[billions of yen]

	(A) Mar '2021	(B) Mar '2020	(A)-(B) change
Cash and cash equivalents	80.3	62.2	18.2
Trade receivables	211.2	212.5	-1.3
Inventories	297.8	301.2	-3.5
Total current assets	617.2	612.8	4.4
Total non-current assets	603.4	554.8	48.6
Total assets	1,220.6	1,167.6	53.0
Trade receivables incl. non-current	252.7	252.1	0.5
Inventories by products			
Unit	77.3	76.2	1.0
Parts	102.3	103.0	-0.7
Raw materials, WIP and etc	118.2	122.0	-3.8
Total inventories	297.8	301.2	-3.5
On hand days(divided by net sales)			(Days)
Trade receivables	113	99	14
Inventories	134	118	16
Trade payables	49	43	6
Net working capital	194	171	23

	(D) Mar '2021	(E) Mar '2020	(D)-(E) change
Trade and other payables	199.2	188.7	10.5
Bonds and borrowings	329.5	338.9	-9.5
Total liabilities	651.3	642.5	8.9
(Equity attributable to owners of the parent ratio)	(42.1%)	(40.6%)	(1.6%)
Total equity	569.2	525.1	44.1
Total liabilities and equity	1,220.6	1,167.6	53.0
	(27.0%)	(29.0%)	(-2.0%)
Interest-bearing debt	329.5	338.9	-9.5
Cash and Cash equivalents	80.3	62.2	18.2
	(20.4%)	(23.7%)	(-3.3%)
Net interest-bearing debt	249.2	276.8	-27.6
Net D/E Ratio	0.48	0.58	-0.10

- Net cash provided by (used in) operating activities improved by 68.7 billion yen to 91.3 billion yen y-y due to improved working capital.
- Free cash flows improved by 71.1 billion yen to positive 59.1 billion yen y-y.

[billions of yen]

	FY2020 Actual		FY2019 Actual		change
Net income		14.6		44.8	-30.1
Depreciation and amortization	64.8	50.2	90.9	46.1	-26.1
(Increase)decrease in trade/lease receivables		23.3		9.9	13.4
(Increase)decrease in inventories	29.6	25.5	-22.8	0.1	52.4
Increase(decrease) in trade payables		-19.2		-32.8	13.5
Others, net		-3.0		-45.4	42.4
Net cash provided by (used in) operating activities		91.3		22.7	68.7
Cash flow margin for operating activities		11.2%		2.4%	8.8%
Net cash provided by (used in) investing activities		-32.3		-34.7	2.5
Free cash flows		59.1		-12.1	71.1
Net cash provided by (used in) financing activities		-46.0		11.0	-57.0

Summary of consolidated earnings forecast

HITACHI

Reliable solutions

Consolidated revenue for FY2021 is expected to increase by 66.7 billion yen y-y, despite the impact of the yen's appreciation on the forecast exchange rate of -18.7 billion yen.

[billions of yen]

	FY2021 Forecast	FY2020 Actual	change	
			amount	%
Revenue	880.0	813.3	66.7	8%
Adjusted operating income	(7.0%) 62.0	(4.0%) 32.7	29.3	90%
Operating income	(6.6%) 58.0	(3.5%) 28.2	29.8	105%
Income before income taxes	(6.4%) 56.0	(3.1%) 25.6	30.4	119%
Net income attributable to owners of the parent	(3.7%) 32.3	(1.3%) 10.3	22.0	212%
EBIT	58.8	28.7	30.0	
Currency	FY2021 Forecast	FY2020 Actual	change	
Rate (YEN/US\$)	105.0	106.0	-1.0	For FX sensitivity, please refer to appendix 1.
Rate (YEN/EURO)	125.0	124.6	0.4	
Rate (YEN/RMB)	15.5	15.7	-0.2	
Rate (YEN/AU\$)	73.0	76.0	-3.0	
Cash dividend per share (yen) *1	to be determined	20	-	

*1 "Cash dividend per share": The Company will pay dividends linked to its consolidated business results twice, interim and year end, in the fiscal year and aim to achieve a consolidated dividend payout ratio of approx. 30% or more.

Consolidated revenue forecast by geographic region

HITACHI

Reliable solutions

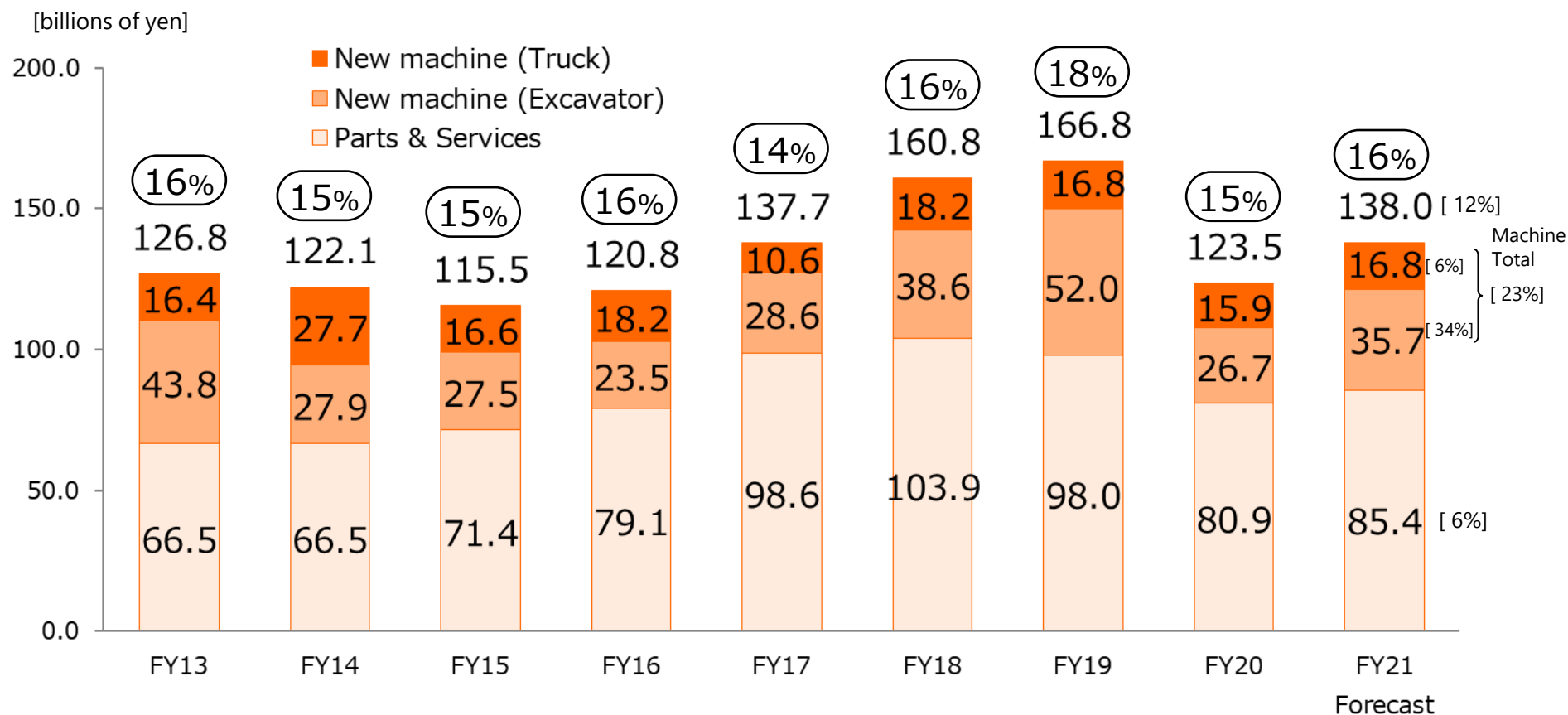
Consolidated revenue for FY2021 is expected to increase by 66.7 billion yen y-y, despite the impact of the yen's appreciation on the forecast exchange rate of -18.7 billion yen.

(billions of yen)

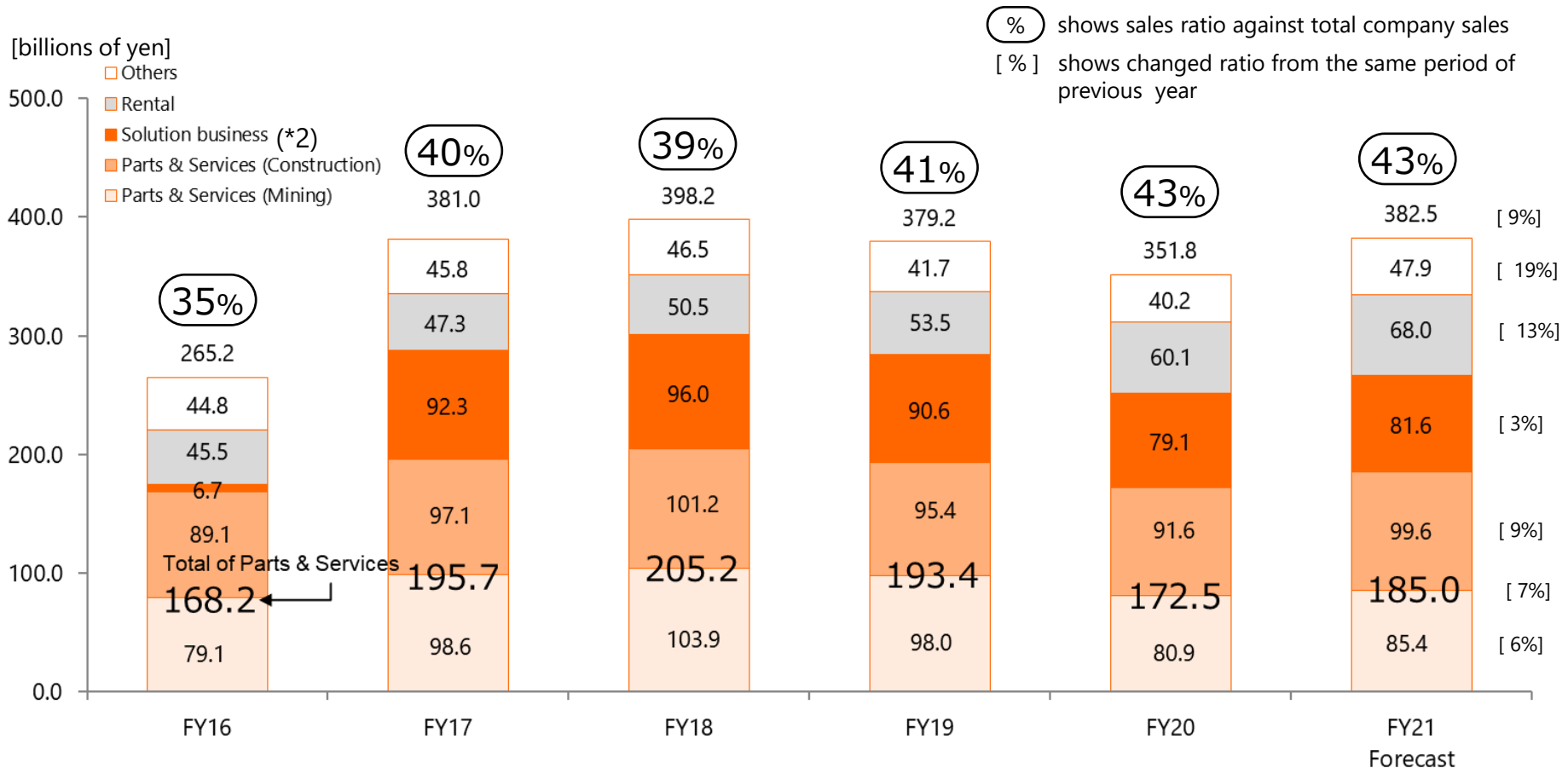
	FY2021 Forecast		FY2020 Actual		change	
					amount	%
Japan	210.7	24%	203.3	25%	7.4	4%
Asia	64.0	7%	52.7	6%	11.3	21%
India	55.6	6%	50.0	6%	5.6	11%
Oceania	143.7	16%	139.9	17%	3.8	3%
Europe	97.8	11%	87.8	11%	9.9	11%
N.America	146.5	17%	107.2	13%	39.3	37%
L.America	11.3	1%	10.9	1%	0.4	4%
Russia-CIS	31.9	4%	22.7	3%	9.2	41%
M.East	17.2	2%	16.1	2%	1.2	7%
Africa	33.3	4%	33.6	4%	-0.3	-1%
China	67.9	8%	89.1	11%	-21.2	-24%
Total	880.0	100%	813.3	100%	66.7	8%
Overseas ratio	76%		75%			

Revenue of mining in FY2021 is expected to increase by 12% to 138.0 billion yen y-y, despite the impact of the appreciation of the yen, 6.1 billion yen.

(%) shows sales ratio against total company sales
[%] shows changed ratio from the same period of previous year



Revenue of value chain in FY2021 is expected to increase by 9% to 382.5 billion yen y-y, despite the impact of the appreciation of the yen, 8.4 billion yen.



(*1) Value chain: Total of Parts & services, Solution business, Rental etc. other than new machine sales.

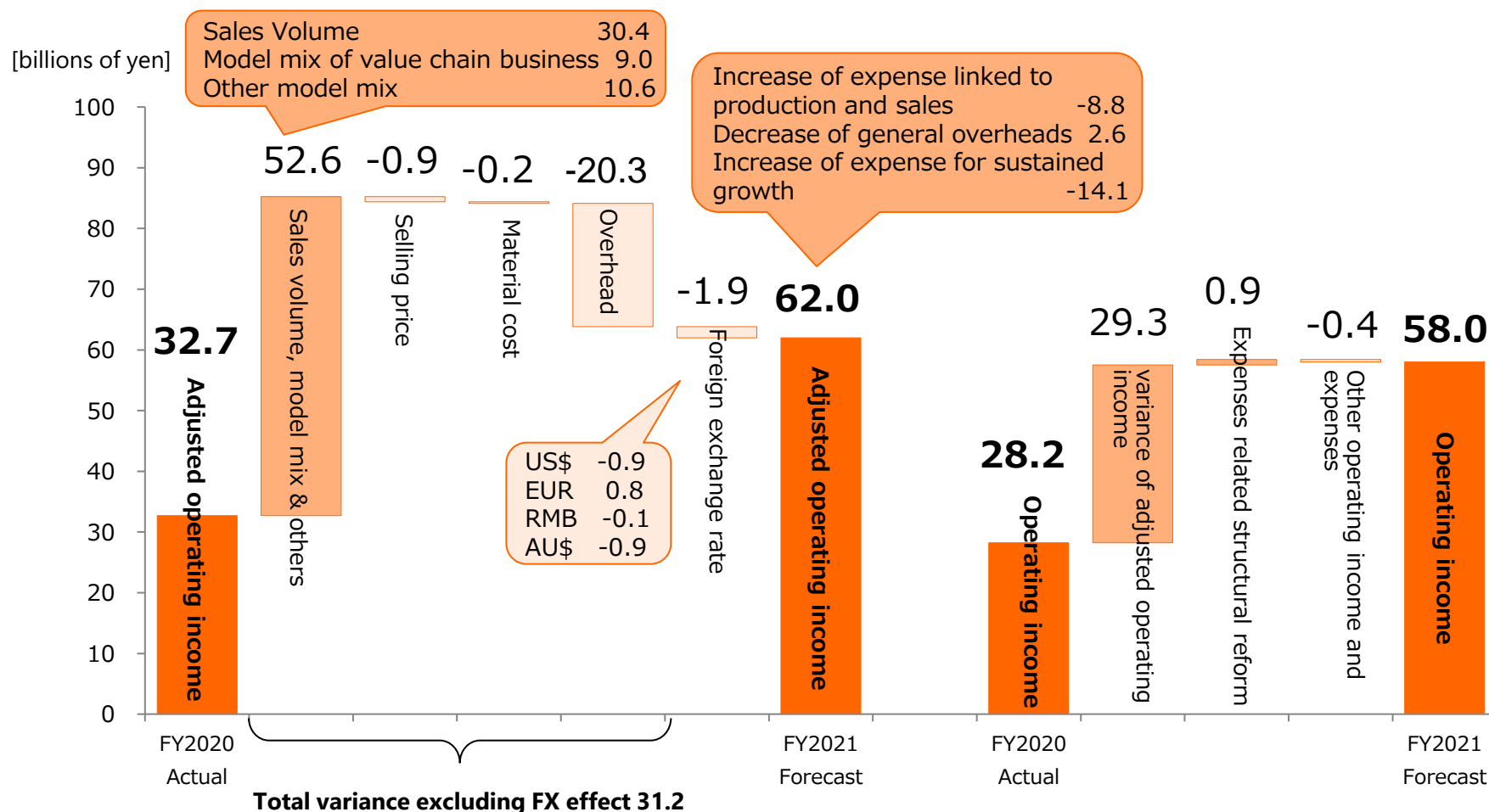
(*2) Solution business: The business segment primarily intends to provide development, production, distribution of parts and service solutions for mining facilities and equipment after the sales made that are not included in the construction machinery business segment.

Comparison of consolidated income forecast

HITACHI

Reliable solutions

Adjusted operating income for FY2021 is expected to increase by 29.3 billion yen y-y due to an increase in sales volume and model mix, although there are the fall in the selling price, increase in overheads costs and material costs and the appreciation of the yen.



The forecast exchange rate for FY2021 was set within the expected fluctuation range for each currency.

FX rate and FX sensitivity

[billions of yen]

Currency	FX rate		FX sensitivity (1Q-4Q)		
	FY21 Forecast	FY20 Actual	Condition	Revenue	Adjusted operating income
US\$	105.0	106.0	Impact by 1 yen depreciation	2.0	1.6
EURO	125.0	124.6	Impact by 1 yen depreciation	0.7	0.5
RMB	15.5	15.7	Impact by 0.1 yen depreciation	0.5	0.2
AU\$	73.0	76.0	Impact by 1 yen depreciation	2.1	0.3

Appendix 2: Detail of mining revenue

HITACHI

Reliable solutions

[billions of yen]

		FY19 Actual(A)	FY20 Actual(B)	Change (B)-(A)	FY21 Forecast(C)	Change (C)-(B)
America	Excavator	18.2	10.6	-7.7	6.8	-3.8
	Dump Truck	3.9	2.1	-1.8	2.5	0.4
	Total	22.1	12.7	-9.5	9.2	-3.4
Europe, Africa and Middle East	Excavator	23.0	15.3	-7.7	20.8	5.5
	Dump Truck	12.9	12.2	-0.7	13.9	1.7
	Total	35.9	27.6	-8.3	34.7	7.2
Asia & Oceania	Excavator	73.4	49.6	-23.8	64.6	15.0
	Dump Truck	32.9	30.8	-2.1	26.5	-4.3
	Total	106.3	80.5	-25.9	91.1	10.7
China	Excavator	0.6	0.7	0.1	0.6	-0.1
	Dump Truck	0.1	0.1	-0.1	0.1	0.1
	Total	0.8	0.8	0.0	0.7	-0.1
Japan	Excavator	1.7	1.6	-0.1	1.6	0.0
	Dump Truck	0.0	0.4	0.4	0.6	0.2
	Total	1.7	2.0	0.3	2.1	0.2
Total	Excavator	116.9	77.9	-39.1	94.4	16.5
	Dump Truck	49.8	45.6	-4.2	43.6	-2.0
	Total	166.8	123.5	-43.3	138.0	14.5

The amortizations of PPA are included in the adjusted operating income of the solution business. The amounts of 1.0 billion yen each are included in the FY2020 and forecast for FY2021.

[billions of yen]

FY2020 Actual	Reportable segment		Adjustments*1	Total
	Construction Machinery Business	Solution Business		
Revenue	734.2	82.4	-3.3	813.3
Adjusted operating income	3.5% 25.8	8.4% 6.9	-	4.0% 32.7

[billions of yen]

FY2021 Forecast	Reportable segment		Adjustments *1	Total
	Construction Machinery Business	Solution Business		
Revenue	798.4	81.6	-	880.0
Adjusted operating income	6.9% 55.2	8.4% 6.9	-	7.0% 62.0

*1: Adjustments represent eliminations of intersegment transactions and amounts of companies that do not belong to any operation segment.

Appendix4 : Actual and forecast of consolidated capital expenditures, depreciation, and R&D expenses

HITACHI

Reliable solutions

Capital investment in FY2021 is specialized in reorganizing domestic and overseas factories and expanding the rental business.

1. Capital Expenditure (Based on completion)

[billion of yen]

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Capital Expenditure	18.7	30.4	47.2	34.7	59.8
Assets held for operating lease	23.1	27.2	36.9	38.6	51.3
Total	41.8	57.6	84.1	73.4	111.1

2. Depreciation (tangible and intangible fixed assets)

[billion of yen]

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Capital Expenditure	27.5	26.8	34.2	35.3	36.1
Assets held for operating lease	10.3	10.1	12.0	14.9	17.6
Total	37.8	37.0	46.1	50.2	53.8

3. R&D expenses

[billion of yen]

	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Total of consolidation	24.6	24.8	23.7	24.8	29.0

Medium-term Management Plan “Realizing Tomorrow’s Opportunities 2022”

(FY 2020-2022)

Kotaro Hirano

Executive Officer, President & CEO

CONNECT TOGETHER 2019

Deepen the value chain

- Parts and service (ConSite®)
- Acquisition of Bradken /H-E Parts
- US & UK : start of rental business
- Certified used equipment

Global Restructuring

Efficiency at overseas sites

Realizing Tomorrow's Opportunities 2022

Value chain + Enhance digital solutions

- Parts and service (ConSite® + parts remanufacturing + Bradken/H-E Parts)
- Digital Mining
- Rental +used equipment
→Global

Efficiency in development, marketing and production

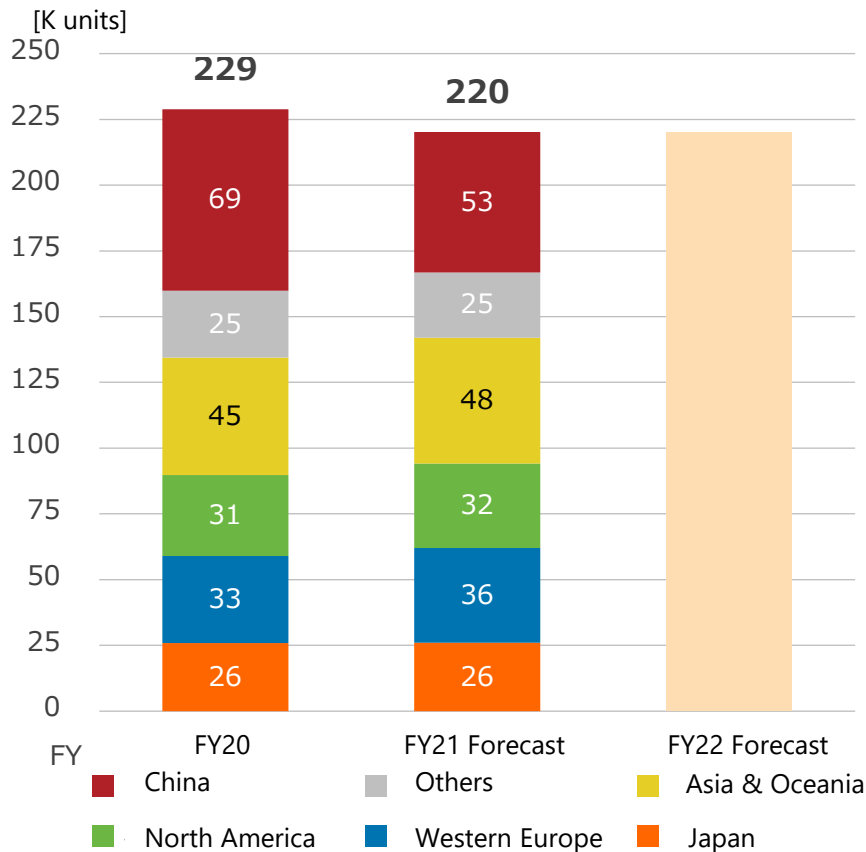
Global cooperation

Performance deteriorated in FY2020 due to the impact of COVID-19

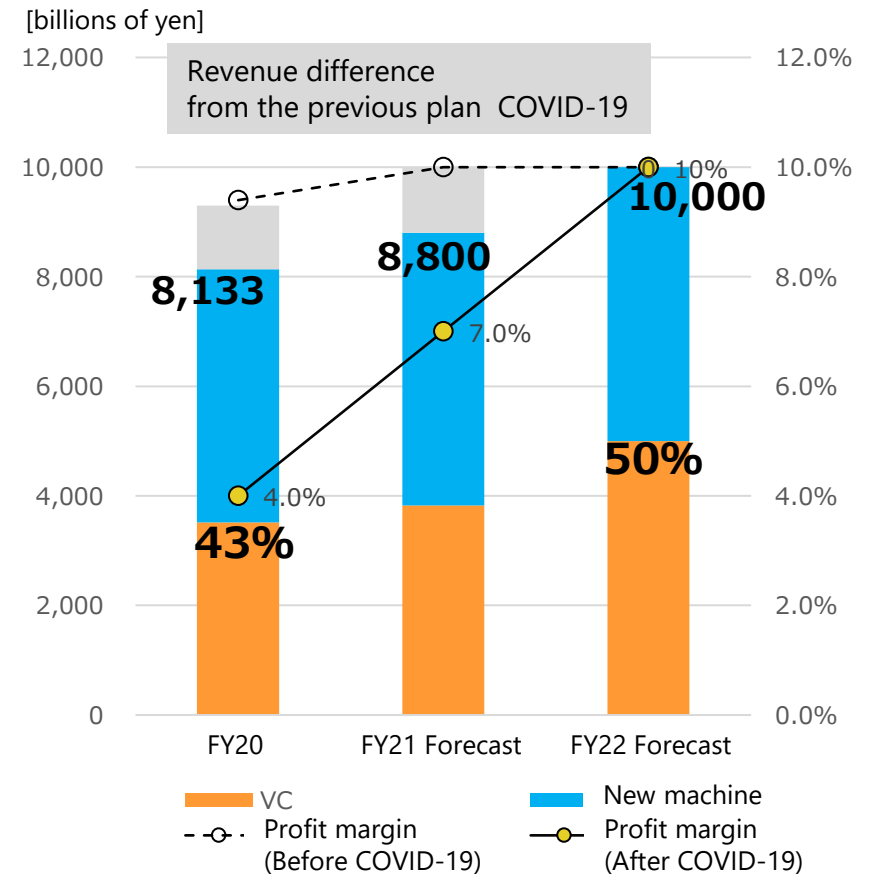
Full-fledged recovery in market conditions other than China is expected to occur from the second half of FY2021 onward

Performance grows due to expansion of the value chain and deepening of solutions

Demand Trend for Hydraulic Excavators



Revenue and Adjusted Operating Income Ratio



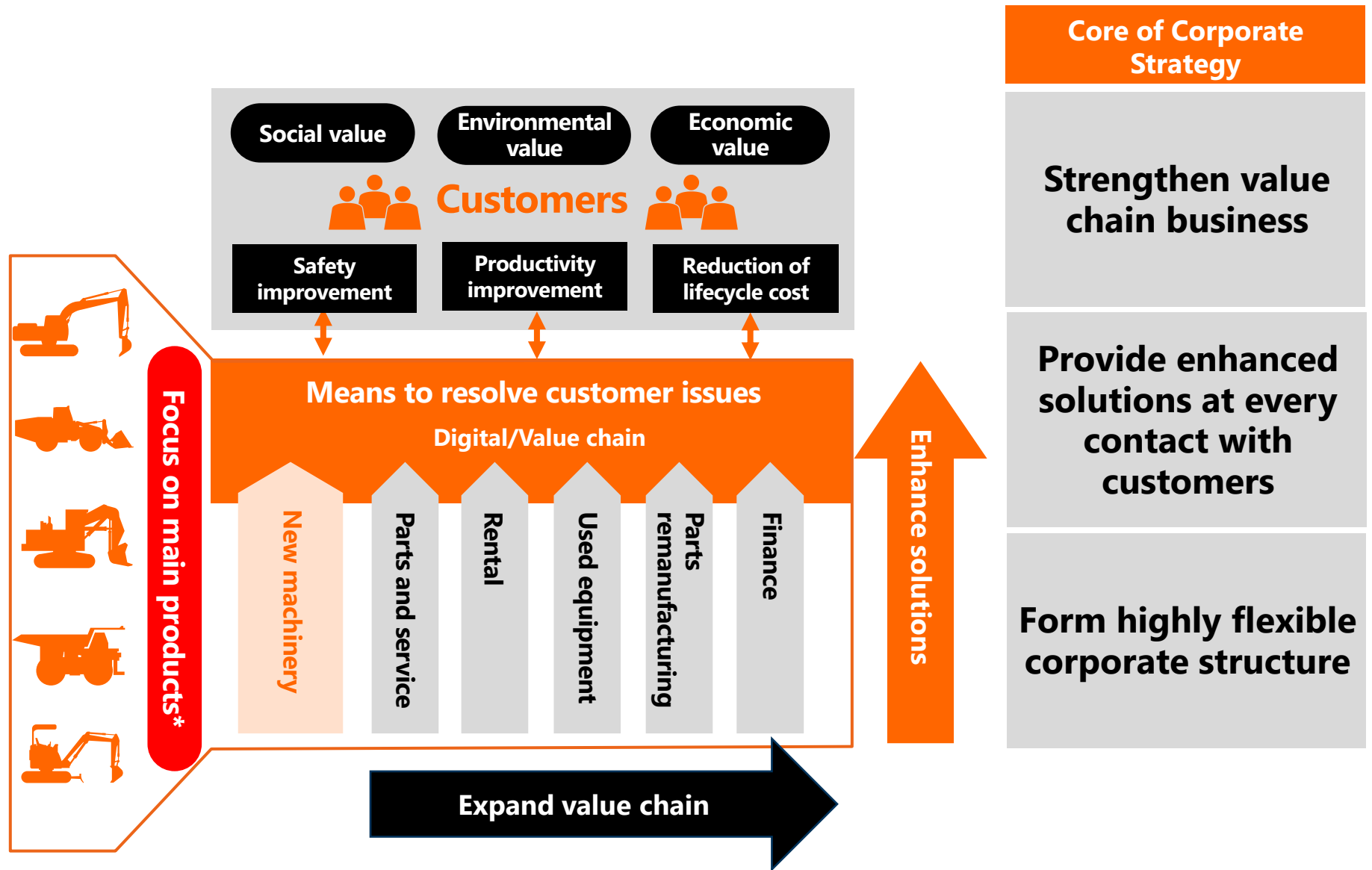
Global restructuring of production sites is almost completed

Restructuring domestic production sites and development bases is on-going

	Initial plan	Reviewed plan
Investment plan	Invest 42 billion yen by 2022	Invest 50 billion yen by 2027 Restructuring functions at Tsuchiura Works and Ryugasaki Works
Profit contribution from production-related restructuring	6 billion yen / year	

Development of Collaborative Construction Equipment and accelerate the promotion of technological development for reducing CO2 emissions R&D expense ratio raised to 4%; Development of bases in Japan, Europe and North America + Open innovation

	Main research and development themes
Achieve collaborative control between people and machinery	<ul style="list-style-type: none"> • Achieve "Collaborative safety" and advanced autonomous operation system platform "ZCORE" • Operation support system • Site safety
Initiatives for reducing CO2 emissions	<ul style="list-style-type: none"> • New drive systems such as batteries, fuel cells, hydrogen, etc. • New technology development for "Net Zero Emissions"



*Other product group: Backhoe loader, Crawler crane, Bulldozer, Skid-steer loader

Strengthen value chain business (Rental and Used equipment)

Social value

Reduction of
lifecycle cost

HITACHI

Reliable solutions

- Differentiation by high-quality rental machines and provide business globally
- Expansion as guaranteed and refurbished used equipment



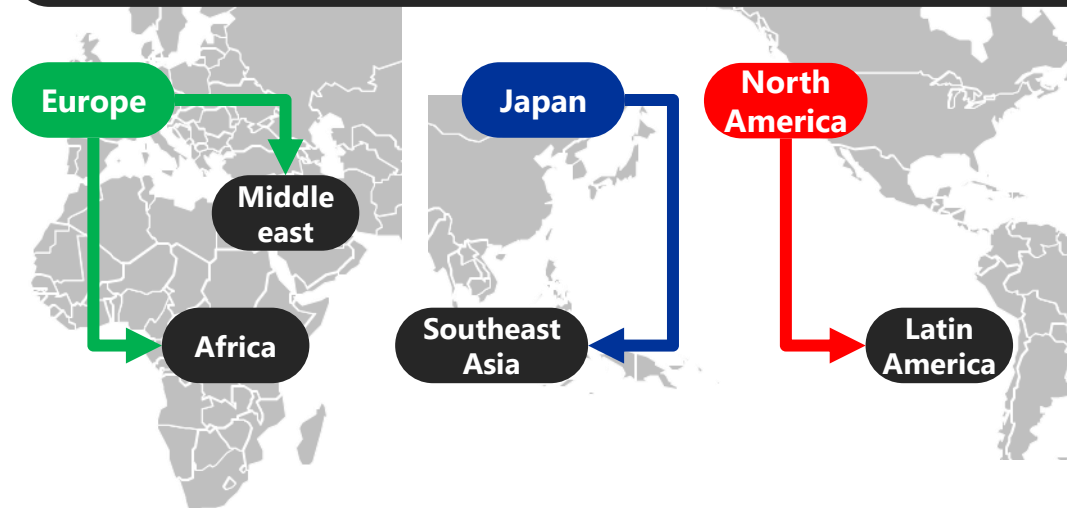
Expand rental business in various places



Used equipment with brands



Distributing high-quality rental machines as used equipment around the world



Expand the used equipment business
sales revenue

FY2022

FY2030

Used equipment
280%

Compared to FY2010

Adoption of products
and services that
meet regional needs

Strengthen value chain business (Parts & Service)

Social value

Reduction of
lifecycle cost

HITACHI

Reliable solutions

- Expanding services with ConSite menu, increasing touch point with customers
- Increasing the choice of service parts for various parts brands
- Strengthening traceability and make parts distribution more efficient



Expanding services with ConSite



Customers

Increasing
touch point



Strengthening traceability
Efficiency in parts distribution

Selectable from various parts brands

Hitachi Construction Machinery

GENUINE PARTS

Hitachi Construction Machinery

REMANUFACTURED

Hitachi Construction Machinery

SELECTED PARTS



Expand parts remanufacturing businesses sales revenue

FY2022

**Parts remanufacturing
420%**

Compared to FY2010

FY2030

**Adoption of products
and services that meet
regional needs**

Life cycle cost reductions

FY2022

**ConSite®
Adoption rate 90%**

FY2030

**Aim for
“zero” downtime**

Advancement of construction machinery and improvement of safety

Safety
improvement

Social value

Productivity
improvement

HITACHI

Reliable solutions

Aiming to realize "the optimal relationship between people and machinery" by enhancing site safety as a whole through Collaborative Construction Equipment, operation support systems, and various solutions



Collaborative Construction Equipment

- Developed "ZCORE", a system platform that realizes both Collaborative safety and advanced autonomous operation



Operation support system

- Surrounding recognition and automatic braking
- Excavation status judgment and automatic loading
- Operator status monitoring



Site safety

- Site safety management and risk analysis
- Cooperation with disaster information, risk prediction

Functionality to reduce accidents caused by HCM products

FY2022

Achieve collaborative control between people and machinery

FY2030

Contribute to "zero" overturn and fatal accidents

Long-term initiatives for reducing CO2 emissions



Compact

Battery powered

- 8t class: Orders for 25 units in FY2020, the target for FY2021 is 50 units
- 5t class: Under evaluation test period, scheduled to be released in Japan and Europe in FY2021



Launched in Europe



Under evaluation test in the market

Construction

Fuel cell powered

Hydrogen engine



Collaboration with research institutes, universities and partner companies

Mining

ABB collaboration

All electrification in the mine

Improving the efficiency of the entire mine



Digital mine promoted by ABB



Reducing CO2 emissions from products

FY2022

▲ 20%

Compared to FY2010

FY2030

▲ 33%

- Expanding sales of trolley type with ABB electric infrastructure
- Applying ABB Digital Solution to Machines

Summary of KPI for these three years plan

HITACHI

Reliable solutions

Realizing Tomorrow's Opportunities

	KPI	Previous medium-term plan FY2019 result	Current medium-term plan FY2022 target
Growth	<ul style="list-style-type: none"> • Revenue • Value chain ratio 	<ul style="list-style-type: none"> • 931.3 billion yen • 40% 	<ul style="list-style-type: none"> • 1 trillion yen • 50%
Profitability	Adjusted operating income ratio	8.2%	More than 10%
Safety	Net D/E Ratio	0.58	Less than 0.5
Efficiency	ROE	8.6%	More than 10%
ESG *Compared to FY2010	Social value Environmental value Economic value	ConSite adoption rate 73% parts remanufacturing businesses sales revenue 296%* Reducing CO2 emissions from products -15.9%*	ConSite adoption rate 90% parts remanufacturing businesses sales revenue 420%* Reducing CO2 emissions from products -20%*
Shareholder return	Dividend payout ratio	31%	30% or more

We have chosen to align our activities with 10 of the 17 SDG's.
Topics in this explanatory material are shown together with their corresponding SDG icon.



Hitachi Construction Machinery Group
Mid-term Management Plan

HITACHI

Reliable solutions

Realizing Tomorrow's Opportunities 2022



Delivering greater customer benefit through value chain solutions.



Creating unique value through customer focused solutions.



Challenge to Change

Safety, Health and Compliance | Continuous Improvement by PDCA | Kenkijin Spirit

Cautionary Statement

This material contains forward-looking statements that reflect management's views and assumptions in the light of information currently available with respect to certain future events, including expected financial position, operating results, and business strategies. Actual results may differ materially from those projected, and the events and results of such forward-looking assumptions cannot be assured.

Factors that may cause actual results to differ materially from those predicted by such forward-looking statements include, but are not limited to, changes in the economic conditions in the Company's principal markets; changes in demand for the Company's products, changes in exchange rates, and the impact of regulatory changes and accounting principles and practices.

END

For further inquiries:

Corporate Brand & Communications Div.

 **Hitachi Construction Machinery Co., Ltd.**